

We'll Be Watching You: The Utility and Intrusiveness of Mobile Shopping Apps

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About the Author

Reshma Kapadia has more than eleven years of experience in marketing and product management. After her MBA in marketing, she spent a majority part of her career leading the customer acquisitions portfolio at Airtel (the largest telecom service provider in India). Currently, she is a part of the marketing team at the Toro Company in Minnesota. With a keen interest in all things 'tech' and a background in mobile marketing, she was drawn to the idea of marketers successfully using mobile phones for personal and efficient conversations with consumers while dealing with the contradiction of some others finding this technology intrusive. This capstone project is her endeavor to examine consumer preferences toward location-based mobile marketing. She hopes that her findings will be useful for the marketers she connected with through this project.

She would like to thank Dr. Eighmey for his encouragement through the duration of the Professional Strategic Communications program. She is grateful to Steve Wehrenberg, Michelle Wood, Diane Fittipaldi and Jennifer Ball for their support and guidance throughout the capstone project. She would like to thank all the marketers, friends and colleagues who agreed to participate in this study for their time and valuable opinion. A big thank you also goes to her colleague Heather Voorhees for her help in this project.

Last but not the least, she thanks her husband Shylesh, for his continuous support through the program and would like to dedicate this degree to her parents who are an eternal source of inspiration.

Executive Summary

In 2014, mobile devices influenced \$593 billion, or 19 percent of all in-store retail sales in the United States (Lobaugh, 2015). With over 64 percent of the adult population in the U.S. using smartphones today (*U.S. Smartphone Use in 2015*, 2015), mobile phones offer a significant opportunity for marketers to have personal and efficient conversations with consumers. However little is known if consumers like or dislike this form of marketing. This paper attempts to understand consumer preferences that can influence the design and execution of location-based marketing strategies.

An in-depth study of academic literature, in particular, the theory of diffusion of innovations, technology acceptance model and theory of planned behavior was carried out to arrive at the factors that influence adoption of technology and attitude towards mobile marketing. Three critical elements - utility, personalization and intrusiveness – related to location-based marketing were selected for further scrutiny. It was hypothesized that usefulness and personalization enhance the acceptance of location-based marketing strategies whereas a lack of control and the feeling of intrusiveness negate the effectiveness of such practices.

To assess this contradiction, expert interviews were conducted to understand current marketing practices. Consumer opinion was gathered using an online consumer survey which was followed up with shop-alongs, undertaken to judge if what consumers say and do was different. Research findings concluded that *usefulness* and *personalization* were required components of location-based marketing. However, the importance of this requirement differed with experienced and inexperienced smartphone users. *Intrusiveness* on the other hand, was a concern shared by both user groups and impacted how they behaved when confronted with marketing messages. The paper concludes with recommendations to enhance the acceptance of such tactics among consumers.

Introduction

The essence of marketing is to target the right customer at the right time with the right message through their preferred communication channels. While traditional marketing channels help marketers to target consumers based on their media habits; it is digital media that allows them to have a real-time two-way interaction with consumers. For the first time, in 2013, time spent with digital media among U.S. adults exceeded time spent watching television, with mobile driving the shift (“Mobile Continues to Steal Share of US Adults’ Daily Time Spent with Media - eMarketer,” 2014). More than 64% of U.S. adults today use mobile phones in their personal and professional lives, making it a promising channel to reach the consumer (*U.S. Smartphone Use in 2015*, 2015). Most consumers spend an average of fifteen hours per week on their mobile phones to conduct research and scout products online prior to visiting a retail store (Google/Nielsen, 2013). This pre-research, coined as ZMOT or Zero Moment of truth by Google (Google, 2011) is valuable information for marketers to understand consumer path to purchase. With over 56% of mobile-driven purchases occurring in-store (Webinar & July, 2014), mobile is slowly gaining prominence in marketing plans for retailers and consumer goods brands.

The attributes inherent to mobile - personalization, pervasiveness and localization - present a significant opportunity to enhance customer experience with the brand. Location-based marketing, the most unique feature of mobile marketing, helps marketers to determine the geographical location of customers and offer them relevant and useful information about products and promotions. However, because mobile devices make one-to-one marketing feasible, the question is; do consumers want to receive marketing offers on-the-go? Messages sent by retailers/brands without consumer consent may be perceived as unwanted or spam. Marketers also risk sending irrelevant messages that can create consumer exasperation and alienate them from the brand altogether.

In 2004 in the United States, mobile devices influenced \$593 billion, or 19 percent of all in-store retail sales (Lobaugh, 2015). As the mobile medium becomes more mainstream, marketers need to understand what consumers like and dislike about location-based marketing. Through this paper, the author aims to deepen our understanding of the factors that motivate consumers to engage in innovative mobile marketing methods via their smartphones. The author also attempts to uncover customer considerations to accept and engage with location-marketing that can prove useful to companies to architect their way forward.

Literature Review:

The following section reviews current mobile shopping trends and two case studies to understand why and how brands use location information in their communication strategies. With a brief overview of the concepts related to location-based marketing, the study deep dives into academic literature to discover critical factors related to mobile marketing.

Current trends in mobile marketing

Smartphones occupy a ubiquitous presence in most people's lives today. An experiential study conducted by PEW research found that smartphone users often perceive the phone as a *problem solver*. They use it for entertainment, work, to access the internet and to build social connections (*U.S. Smartphone Use in 2015*, 2015). Smartphones have also have a substantial impact on consumer shopping behavior online and in-stores. Some of the principal changes are:

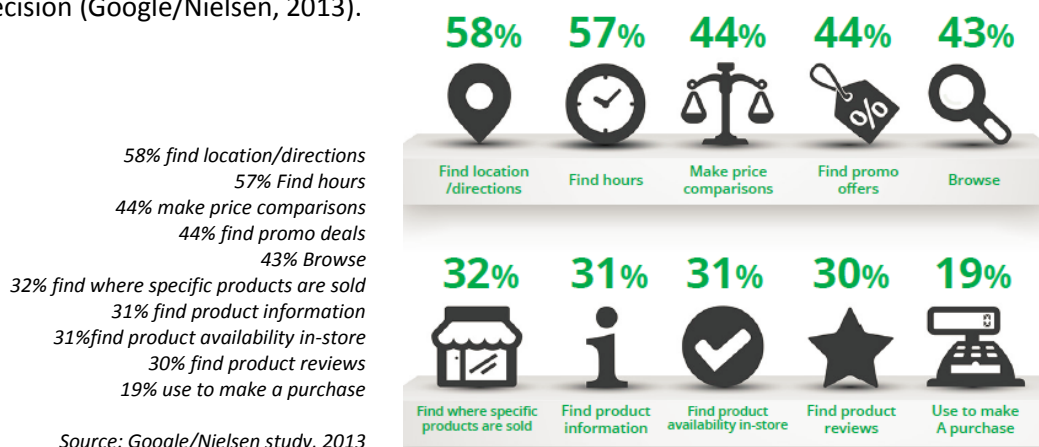
i. Disorganized path to purchase:

With the onset of the 'always-connected' consumer phenomenon, the linear progression of retail path to purchase, from discovery, to consideration, to purchase, to loyalty, is no longer applicable.

Consumers today research on mobile websites throughout the purchase process with search being the most common starting point for the research (48% of consumers begin their product research on search engines). Pre-shopping has become a big part of the entire purchase cycle. Often times, consumers get to the final point of a purchase and then go back to investigating about the product all over again. As per a study published in the *Harvard Business Review*, the new mobile shopping cycle consists of six steps namely; (1) Pre Buy (2) In Transit (3) On Location (4) Selection process (5) Point of purchase and (6) Post purchase. At each stage, marketers need to influence shopping behavior of these fleeting customers towards their products (Martin, 2013) and mobile acts as a useful medium to help interact with consumers at all times.

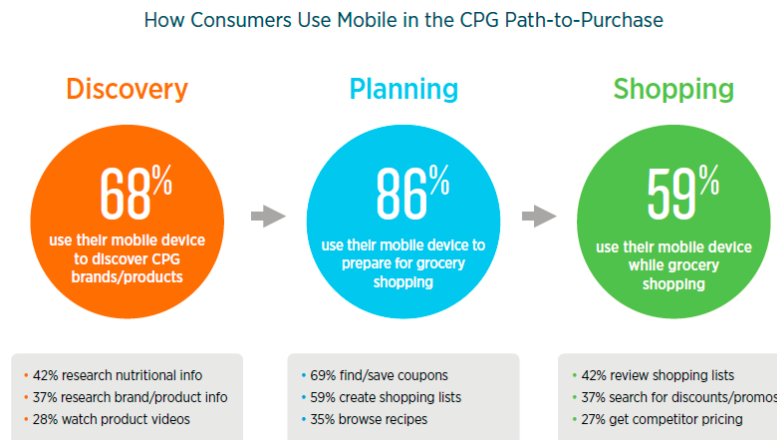
ii. **Pre-buy research, the new decision maker:**

Mobile offers instant access to information at all times. As Rishad Tobaccowala, Chief Strategy & Innovation Officer, VivaKi, part of the Publicis group, a global digital advertising agency, says “When consumers hear about a product today, their first reaction is ‘Let me search online for it.’” (Google, 2011). In a study conducted by Google and Nielsen together, it was found that 54% of smartphone users use their mobile to research products. In fact, most consumers decide on a product/brand even before they enter the store to make the purchase. Ninety percent of smartphone shoppers also use their phone for the below pre-shopping activities to help inform them and guide them closer to the purchase decision (Google/Nielsen, 2013).



iii. Mobile phones are the new shopping assistants:

Consumers today use their smartphones as shopping companions. Not only do they use their smartphones to access information but a majority of them also use their phones to create shopping lists, save coupons, search for discounts in-store and get competitor pricing. A research study conducted specifically for the consumer goods industry by NinthDecimal, a leading mobile audience intelligence company also shows that 59% of consumers use their mobile devices while shopping in-store for groceries (Ninthdecimal, 2013). This opens up a new avenue for marketers to connect with customers in-store and help them make the purchase.



Source: NinthDecimal Mobile Audience Insights Report, 2013

iv. Mobile phone marketing stimulates in-store sales:

Although consumers choose to conduct product research online on their smartphones, seldom do they make purchases on it. An eMarketer study on mobile commerce in the retail industry showed that smartphones accounted for 60% of time spent by consumers in engaging with digital retail content in Q4 2014. But of the total \$82.8 billion U.S. retail ecommerce sales in Q4 2014, mobile accounted for only 20%. This, however, need not discourage retailers from investing in mobile marketing. A Google/ Nielsen study established that 82% of people who use their mobile to research make their final purchase in-

store. The study also supported that 69% of consumers, who search for products on their mobile, expect businesses to be within five miles of their location to enable immediate purchase (Google/Nielsen, 2013).

The lesson for marketers in this changing scenario is apparent: mobile offers marketers a powerful way to engage with consumers during the purchase process. Sophisticated marketers can use consumers' location data to increase brand awareness, drive foot traffic and influence offline purchases for retail stores in the vicinity of the consumer. But what exactly constitutes location-based marketing?

About location-based marketing

Location-Based Marketing (LBM) refers to the use of mobile marketing to target mobile users within a certain geographic area (60secondmarketerblog, 2012). Founder and president of the Location Based Marketing Association (LBMA), Asif Khan referenced at the 2015 South By South West Interactive Festival (SXSW –a 22 year old event that serves as an incubator for cutting-edge technologies) that 85% of all data generated on earth has a geo-location element attached to it, which can be leveraged to improve marketing results. Thus, by knowing where consumers are, brands can encourage consumers to make purchases by offering relevant offers and messages based on their location. On the basis of the location information, companies can also customize communication to the weather, task that user may be engaged in (work/leisure) and time of the day. This use of location data is also called 'proximity marketing' or 'hyperlocal marketing'.

Most location-based services use a smartphone's Global Positioning system (GPS) technology to track a user's location although there are other techniques like near field communication (NFC) and Bluetooth, which also help record a user's location and are being experimented with. Irrespective of

technology, one of the most important aspects of location-based marketing is that customers need to share location information with the apps on his/her phone (ScreenMediadaily, 2014).

The retail sector has traditionally provided the fertile ground for experimenting with location-based services to drive traffic to stores. Retailers send offers to customers in close proximity of their business to motivate them to enter the store. A few retailers have also invested in beacons, which are Bluetooth enabled devices that can detect nearby smartphones, track their movement and communicate with them through the retail store app. Retailers often use this technology to connect with customers within the store to either assist them in shopping or provide information about promotions. Beacons installed at various locations in the physical retail store detect the presence of a smartphone and sends messages to these users.

Location-based marketing also helps retailers to improve their understanding of their current consumers. For example, metadata of directions taken by consumers within a store, aisles and departments visited, time spent in each department, informs the design of more effective store layouts, product placement and promotions. Using shopper visit, foot traffic and sales data, retailers can also calculate the return on investment on such marketing campaigns. This explains why the retail sector plans to spend nearly twice as much as any other industry on mobile advertising in 2015. Of the total \$58.61 billion digital ad spending expected in the US in 2015, retailers' advertising outlays not only comprise 22.0% at \$12.91 billion but the sector's \$6.65 billion also represents 23.2% of the \$28.72 billion that advertisers in the U.S. will spend to reach consumers on mobile devices (eMarketer, 2015) (Refer Appendix A: Figure 1).

Below are a few cases of location-based marketing that illustrates how this technology works:

Hillshire Brands, a subsidiary of Tyson Foods in partnership with BPN and InMarket recently utilized location-based mobile marketing to lift purchase intent and brand awareness for its Hillshire

Farm American Craft link sausages. The campaign leveraged InMarket's beacon network across U.S. grocery stores to connect with consumers as they entered the store. Consumers were communicated through shopping apps such as Epicurious, Zip List, Key Ring, CheckPoints and others in the InMarket system to send contextual, location-based messages when consumers were making a purchase decision in the store. The campaign delivered a 36% increase in brand awareness and an overall lift in sales (Bhalla, 2015) (Refer Appendix A: Figure 2 for screenshots of the Hillshire marketing communication)

Meguiar's, a 3M company that sells car care products partnered with their agency FRWD to conduct an experiment to ascertain the connection between hyperlocal targeting and offline sales. The campaign was targeted to customers who had recently bought used and new vehicles and who lived in a certain radius around retail stores. Using Place IQ, the local profiling and targeting platform, marketers pushed how to videos' and product information to encourage them to visit the retail stores. The campaign delivered a 109% lift in click-throughs on the website and a 118% lift in store sales. The success of this tactic has given Meguiar's a new capability to negotiate shelf space and co-marketing dollars with retailers (Smith, 2013).

Academic Literature Review

This section of the research study reviews theories and models in relevant literature to discuss different variables that play a role in enhancing consumer acceptance of location-based mobile marketing. Location information allows marketers to exploit a mobile phone's unique features to customize messages to consumer attributes such as past behavior, time and location. This is a new marketing channel that a number of consumers have not been exposed to. Hence in a broader sense, this research looks at factors that influence technology adoption as well as consumer attitude toward mobile marketing. The research studies analyzed fall in the below three categories:

- ❖ Adoption of a new technology or innovation
- ❖ Consumer perception toward mobile marketing
- ❖ Consumer attitude toward location-based mobile marketing

i. Adoption of a new technology or innovation:

An innovation is any idea, practice or object perceived as *new* by an adopter. While mobile phones as a means of communication have been around for a long period of time, the use of mobile phones as a vehicle to promote product information and marketing is relatively new. From marketing to consumers on mobile website ads to using the location information of a mobile phone, marketers are using cutting-edge technology to offer customized and contextual advertising content to consumers. However, with the advent of any new marketing technologies, the success of a campaign hinges on the dissemination and usage of this technology by customers. Rogers (Rogers, 1983), in his widely cited book '***Diffusion of Innovations***' defined the process by which an innovation moves through members of a social system over time. Rogers found that diffusion of innovations follows a five-stage process in which individuals move from awareness, interest, evaluation, trial to adoption. He also noted that the diffusion process begins with a few pioneering innovators. Later through peer influence, this community grows to include adopters and further levels-off resulting in an 'S-shaped' cumulative adoption curve (Appendix A: Figure 3). Based on a synthesis of over 3000 studies of adoption and diffusion, Rogers listed five factors that determine the ultimate rate and pattern of adoption among the general public:

Relative Advantage: the degree to which an innovation is perceived as better than the idea it supersedes

Compatibility: degree to which an innovation is perceived as being consistent with the existing values, past experiences and needs of potential adopters

Complexity: degree to which an innovation is perceived as difficult to understand and use

Trialability: degree to which an innovation may be experimented with on a limited basis

Observability: degree to which the results of an innovation are visible to others

The adoption of smartphones across the world has also followed the 'S curve' (Appendix A: Figure 4). Smartphones penetrated the U.S. market faster than most other technologies such as telephone, radio, TV and even electricity. It took landline telephones about 45 years and mobile phones around 7 years to get from 5% to 50% penetration among U.S. households and smart phones penetrated from 5% to 40% in about four years (Michael, 2012). Smartphones were initially embraced by the business and the tech-savvy community (early adopters) however the capabilities of the medium coupled with its ease of use has led to its diffusion among the masses.

The Diffusion of Innovation theory explained the dispersion of innovation across the society. In contrast, Davis (1989) developed the ***Technology Acceptance Model (TAM)*** to explore the acceptance of technology by individuals. His research suggested that a user's unwillingness to accept and use an available system often acts as a deterrent to the adoption of new technology. The user may find the new technology difficult to use, expensive or probably not in line with his needs. The factors that lead to his/her hesitation to adopt the technology can be described as:

Perceived Usefulness defined as "the degree to which a person believes that that using a particular system would enhance his/her job performance" (Davis, 1989)

Perceived Ease of Use defined as "the degree to which a person believes that using a particular system would be free of effort" (Davis, 1989)

Using empirical evidence found by comparing two interactive computer systems, Davis (1989) concluded that the presence of these two characteristics can significantly increase the endorsement of an innovation. Davis also found that usefulness of a new technology was more strongly linked to usage as

compared to the ease of use; which means that users are often willing to cope with some difficulty of use associated with using a new technology if they believe it provides critical functionality.

The quick pace with which smartphones have penetrated across demographics points to this 'perceived usefulness' that these 'mini computers' offer to its users. Smartphones launched a decade ago were not the most user friendly devices. Business consumers had to seek help from their Information Technology teams in office to configure their email and update the operating system on their phones. However, today we see users across ages indulge in all the activities that were earlier earmarked for the technical community. Most smartphone users manage their own settings, software, backups and account configurations. The utility offered by the devices has definitely compelled users to overcome difficulties encountered while learning the new system.

ii. Consumer perception toward mobile marketing:

The success of mobile marketing largely depends on consumers agreeing to offer their personal device as an advertising channel as well as proactively allowing notifications, app updates and sharing personal and location information. The intention to encourage such behavior makes it important to analyze consumer motivations and their attitude toward this act.

Icek Ajzen's '**Theory of Planned Behavior**' provides useful analysis to understand and predict consumer behavior (Ajzen, 1991). Grounded in the reasoning that most human-behavior is goal oriented, Ajzen (1985) proposed in his book 'From Intentions to Actions: A theory of planned behavior' that consumer intention to perform an act is influenced by the *attitude towards a particular behavior*, *subjective norms* and *perceived behavioral control towards the act*.

This theory is an extension of the Theory of Reasoned Action by Fishbein and Ajzen (Ajzen, Icek, 1986) that discussed that if people evaluate a particular behavior as positive (attitude), and if they think their

significant others want them to perform the behavior (subjective norm), it results in a higher intention (motivation) to perform the act. This attitude is the degree to which a person has a favorable or unfavorable evaluation of the behavior in question and it often stems from a person's beliefs about the consequences of a given behavior. If people believe an act would have desirable positive consequences, they tend to favor those behaviors. Thus, if a consumer believes that using the smartphone within retail store makes available offers that are more relevant and useful, he/she may be tempted to engage in mobile marketing. In a similar manner, the higher the subjective norm or social pressure to perform an act/behavior, the stronger is the intention to perform the act. Thus, If a consumer intends to save money and he/she finds friends (connected via social media to the retail store app) embracing mobile marketing, it may act as a stimulus to take part in the activity.

Intention, however does not convert to behavior at all times. Often, consumers may intend to perform a particular activity however, their perception of the ease or difficulty of performing the behavioral of interest, may restrict them to do so.

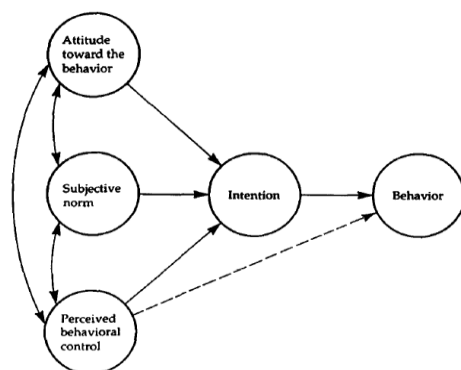


FIG. 1. Theory of planned behavior.

Source: *Theory of Planned Behavior, Organization Behavior and Human Decision Processes*, 1991

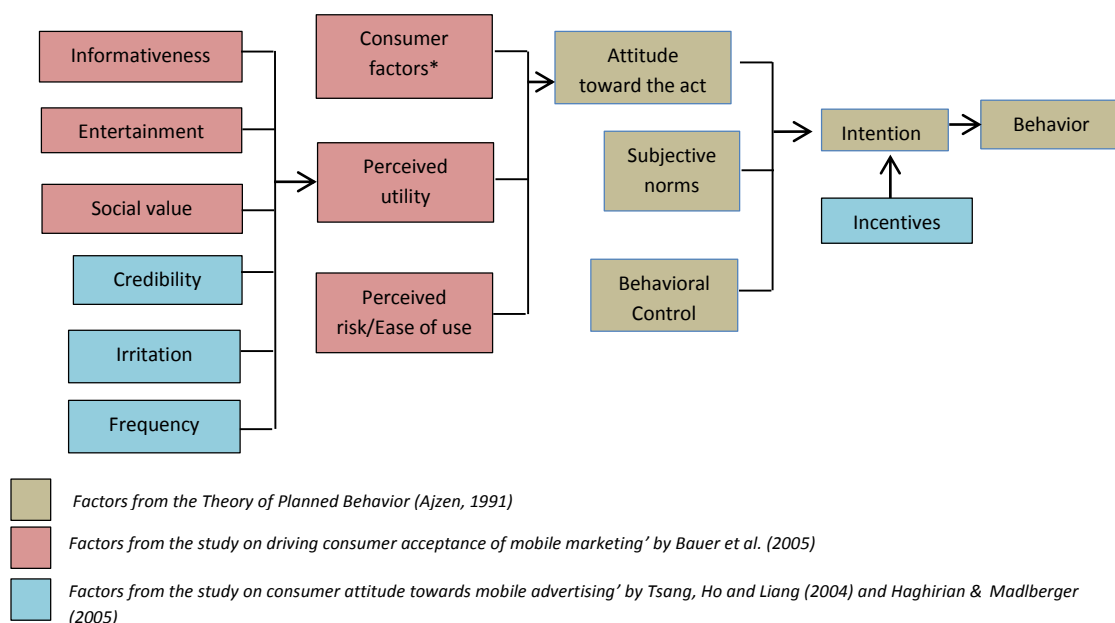
To illustrate, if a mobile phone user wishes to access email or coupons in a retail store, he can do so provided he has the skills to operate the device. This is referred to as 'perceived behavioral control' in the Theory of Planned Behavior. This thought originally was proposed as a concept of self-efficacy by Bandura (Bandura, 1977).

An empirical study exploring the theoretical framework around consumer acceptance of mobile marketing identified five factors as determinants that shape attitude towards mobile marketing (Bauer,

Reichardt, Barnes, & Neumann, 2005). The study proposed that consumer-based factors such as knowledge about mobile marketing, consumer's openness to new technology and curiosity to seek more information about it influenced consumers' attitude towards mobile marketing. The study also suggested that consumers will accept mobile marketing only if they perceive a benefit in receiving advertising messages on their phone. These benefits could be obtaining more information, entertainment and/or social connect. The presence of a lower risk perception towards the medium also worked in favor for mobile marketing. The results of the study suggested that *entertainment* and *information value* are central acceptance drivers for mobile marketing. Thus impersonalized mass promotional messages that do not offer information may evoke negative reactions towards mobile marketing. Similarly, risk perception i.e. fear of misuse of data and reception of unwanted mobile marketing messages add to the negative perception towards mobile marketing.

Another research investigation conducted by Tsang, Ho and Liang (2009) to uncover the relationship between consumer attitude toward mobile marketing and behavior utilized a model of attitudes towards web or Internet advertising. Mobile advertising and Internet advertising have much in common – both mediums deliver text, images and voice with interactive, immediate, personalized and responsive capabilities. Internet advertising allows customers to be identified and behaviors to be analyzed. These capabilities are also offered by the smartphone with additional opportunities for location and time specific marketing. Using these factors that impact attitude towards internet advertising, Tsang found that *entertainment* was the most significant factor affecting consumer attitudes toward mobile marketing, followed by *credibility* (the extent to which consumers believe that the marketer has the expertise and honesty to perform a transaction effectively and reliably) and *irritation* (absence of permission as seen in mobile banner advertisements). Incentives attached to a mobile advertisement also highly improved consumers' intention thus affecting the attitude towards mobile advertising (Tsang, Ho, Liang, 2004).

In a study conducted among Austrian users to gauge consumer attitudes towards mobile advertising, Haghirian and Madlberger (2005) found that the *perceived value* of advertising via mobile devices influences consumers' attitude and behavior towards mobile marketing. This value is affected by *message content* determined by the *entertainment*, *informativeness* and *credibility* of the message. Thus, if consumers believe that a marketer has the expertise and honesty to perform a transaction effectively and reliably and they perceive the message as entertaining and beneficial, they evaluate it positively. However a *high frequency* of exposure of content decreases the perceived benefit attached with the message. Irritation also negatively impacts the value of mobile advertising. This is a phenomenon in which consumers refuse advertisements if they feel that the advertisement is too intrusive. The study also suggests that customers who value privacy are less likely to have a positive attitude towards mobile advertising (Haghirian & Madlberger, 2005).



* - Consumer factors represent consumers' openness to technology, knowledge and curiosity about mobile marketing

iii. Consumer attitude toward location-based mobile marketing

Published research related to location-based marketing is limited as adoption of location-based services by consumers is still in its infancy. Most factors that impact the acceptance of mobile marketing also influence consumer engagement with location-based marketing tactics. Thus, elements such as performance expectancy (instrumental value, benefit or utility), effort expectancy (ease of use), message content and personal innovativeness of the user (open to new technologies) that impact mobile marketing also contribute positively to the intention of using location-based marketing services.

A unique aspect of location-based marketing found in research studies has been the element of privacy. For example: when a retailer sends messages to its customers, physically present in the store, about availability of a product that they may have added to their wish-list on the store website but not purchased, may be exciting to some and annoying and intrusive to others. Then there are other concerns related to storage, use and sharing of consumer identifiable information.

Below research studies analyze the acceptance of location-based marketing with respect to privacy, personalization and advertising intrusiveness.

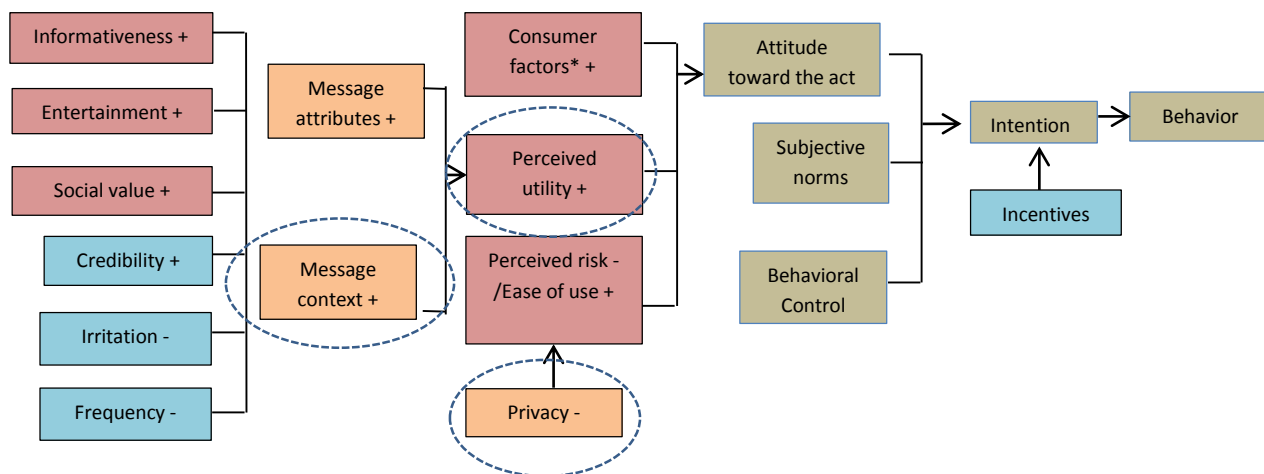
Xu and Gupta studied effects of **privacy** concerns and personal innovativeness on potential and experienced customers' adoption of location-based services applying the Unified theory of acceptance and use of technology (UTAUT). Their findings suggest that while privacy concerns negatively influences effort expectancy i.e. learning cost of location-based services, it has a limited impact on behavioral intent for new as well as experienced users of the service. It is possible that when consumers are confronted with privacy concerns, they take extra effort to mitigate the risks around privacy rather than abandon the medium altogether, thus lowering the impact on intent. (Xu & Gupta, 2009). Consumers, today, unsubscribe to unwanted emails and change subscription and notification settings to find a sweet spot between receiving marketing messages and avoiding irritation. This exercise stems from the fact that consumers find value in email marketing

In an experiment conducted to understand the effectiveness of location-based marketing, Ketelaar, Khan and Bouwknecht (2012) studied perceived *intrusiveness* of context-congruent ads and its impact on attitude and behavioral intention. Using a virtual retail store app, the authors served advertisements to two groups of consumers about a product; one received the promotion in an aisle where the product was placed and the second received the message but the product was not shown in the virtual aisle. The study revealed that consumers perceive mobile advertisements that focus on the context of the user as less intrusive. In a similar manner, promotional messages received during work-hours prove less effective. However, if a consumer happens to be in a mall or the retail store, information about such offers is welcome, making it relevant and less intrusive to the consumer. The study also concluded that people who have experienced lower intrusiveness develop positive attitudes towards the mobile application making them more likely to use it in future (Ketelaar, Khan, Gisbergen, & Bouwknecht, 2012).

Banerjee and Dholakia explored the conflict experienced by consumers between convenience and intrusiveness that determines how they react to location-based marketing. The authors investigated two dimensions of context – location and task congruence to analyze the impact on perceived usefulness of a mobile advertisement. The study revealed that advertisements served to consumers in consumption congruent situations were evaluated as more useful by consumers. Thus location-based advertisements sent to consumers in public places such as mall, bus stop, etc. when the consumer is at leisure generated higher willingness to respond as compared to the ones received by consumers at home or office. The higher the context of the message to the user, the more it is considered relevant and less intrusive (Banerjee & Dholakia, 2008).

A review of the historical literature and research studies reveal a number of factors that have an impact on the acceptance of location-based marketing. Below is a model of the researcher's synthesis of the literature review. For further research, it was decided to focus on privacy concerns and message

context since these factors directly influence location-based messaging. Message context here refers to personalization of a message to a consumer's location, task, wish-list or past purchase pattern. The third factor included for analysis was perceived utility. The model shows that personalization enhances the perception of usefulness or utility of the marketing message and presence of utility can cause consumers to reconsider their privacy concerns. The strength of influence of these factors determines a consumer's behavior i.e. higher privacy concerns can lead to a negative attitude towards mobile marketing and high utility infused by personalization can positively impact attitude and behavior. This study focuses on this relationship. The above academic research pointed to six factors that impact perceived utility. However, it is seen that with respect to location-based marketing, it is information that has a higher impact on attitude as compared to entertainment (primary factor in above studies) or social connect or frequency. Credibility and irritation will be looked at in some measure in further research.



Factors from the Theory of Planned Behavior (Ajzen, 1991)

Factors from the study on driving consumer acceptance of mobile marketing' by Bauer et al. (2005)

Factors from the study on consumer attitude towards mobile advertising' by Tsang, Ho and Liang (2004) and Haghirian & Madlberger (2005)

Factors appended from the study by Xu and Gupta (2009) on impact of privacy on location-based services and contextual messaging –study on location congruent advertisements by Ketelaar et al. (2009) and task congruency by Banerjee & Dholakia, 2008

* - Consumer factors represent consumers' openness to technology, knowledge and curiosity about mobile marketing

** - Message context represents consumer's location and task undertaken which impacts effectiveness of mobile marketing

The signs in the model represent a positive or negative impact on the attitude towards the act. For example: higher the informativeness, higher the perceived value and thus a more positive attitude toward the act; whereas higher the irritation, lower is the perceived value and this attitude towards the act.

The proliferation of smartphones and the investments in location-based marketing suggest that all marketers should focus on location-based mobile marketing. Detailed academic studies also provide factors that can contribute to the positive acceptance of these practices. However, location –based marketing is currently in a nascent stage. This makes one think:

- Are consumers as excited about location-based marketing as marketers are?
- Do consumers like it when messages are personalized to their needs or past purchase behavior?
- Or do they find personalized and/or contextual messages intrusive?
- What are the barriers that keep mobile marketing from becoming common place?

Research Hypotheses

With the above research questions in mind, the author proposes three hypotheses:

1. Perceived usefulness of mobile marketing will increase the acceptance of location-based tactics among consumers
2. Personalizing the mobile marketing message will increase the acceptance and impact of location-based tactics among consumers
3. Feeling of intrusiveness and lack of control will negate the acceptance and impact of location-based tactics among consumers

Primary Research Studies

To test the above hypotheses, it was important to connect with consumers to collect data on their preferences for location-based marketing. A survey was conducted for this purpose. It was also decided to investigate consumer behavior through shop-alongs. These two steps, it was felt, would help

understand what consumers think about location-based marketing tactics and how they act when they encounter them. However, to begin, the author initiated the research with expert interviews to gauge how mobile marketers currently use this medium and incorporate consumer understanding in their campaigns.

Expert Interviews:

Five exploratory semi-structured interviews were conducted with professionals from the field of mobile marketing. Since most mobile marketing campaigns are currently carried out as experiments, focus of the interviews was to understand their key learnings, factors of success/failure and future outlook for the growth of the medium. Attempt was made to include client and agency perspective by including experts who represent retail chains and marketing agencies. A mix of retail chains was also attempted, thus including retail marketers from Walgreens (pharmacy), Best Buy (electronics) and Target (departmental store). Discussions lasted for 30-45 minutes and were conducted either over the phone or at coffee shop b March and April 2015. Appendix D includes the detailed interview transcripts.

Retailer / Brand Perspective	Agency Perspective
Chris, Target	Anne, KWOLIA, Location Based Marketing Association, Chicago Chapter
Jill, Best Buy	Catherine, xAD
Zach, Walgreens	-

Research Findings:

All of the interviewees expressed their confidence in the value of the mobile medium for marketing. The influx of venture capital in companies like Place IQ, Stylr, etc. was seen as a positive indicator for the future. Retail marketers wished to tread slowly by test marketing these techniques in select stores to gauge consumer feedback. The risk associated with irritating customers with unwanted messages, if the

technology is not implemented correctly influenced the decision to experiment first. Below are the themes that emerged from the discussions:

❖ ***Mobile helps marketers in connecting with consumers:***

Experts from both retail and the agency world believe that location-based marketing is a valuable tool to reach consumers. Mobile offers the unique opportunity to interact with consumers at the point of purchase. At this juncture, a marketer can offer consumers useful information about products/services which can help in the purchase decision, offer discounts to inspire immediate sale and offer remote assistance. This opportunity is referred to as 'micro moments' and it can be leveraged to improve brand awareness and brand preference.

"Satellite technology used by xAD can tell marketers if consumers are in-store or in the parking lot or on-the-go. This contextual information can be effectively utilized by Quick Service restaurants and other retail stores to create relevant messaging." - Catherine, xAD

"If a customer is in-store and he/she receives a message with tips on what vitamins to pick, this is valuable information that can help in decision-making." – Zach, Walgreens

❖ ***There is no single best route to reach consumers on their smartphones:***

Most interviewees included in this study were involved in experiments using different technologies and user interfaces. While few retailers preferred to use established GPS based technology to locate consumers, others were more convinced about in-store beacons that provides more precise data of a customer's location. Some retailers believed in investing in their brand app. But others affiliated with external apps such as ibotta and Epicurious to serve advertisements. This was done in an effort to protect the brand in the situation that consumers find the push advertising intrusive.

❖ **Mobile helps in understanding consumer behavior:**

With marketing becoming more data-driven, mobile marketing proves very useful to offer insights about customer behavior. eCommerce today attracts huge attention from marketers due to its capability to analyze consumer purchases and inform marketers of time spent by consumers on each web page, most liked web pages, website navigation, etc. Web analytics can also provide detailed customer level data that can be used for one-to-one marketing. While all this data is highly valuable, ecommerce still forms a small percentage of sales for retailers. The location feature in mobiles offers the opportunity to analyze customer behavior in physical store akin to web analytics. Thus, if consumers opt-in to showcase their location within stores in exchange for rewards, data can be collected about their movement inside the store, departments they spend the most time in, their most travelled paths, least travelled paths, etc. All this information can be put to good use by merchandisers and marketers to effectively display products, cross-sell products and encourage purchase (Stephen, Marie, 2015)

“Mobile location should be thought of as the ‘new cookie’ in understanding consumer behavior.”

– Asif Khan, Founder LBMA and quoted in Anne Marie Stephen’s article ‘Retail Loco @ SXSW: Retailers Talk Location Solutions’

❖ **Mobile has changed in-store consumer behavior:**

Mobile phones enable consumers to carry internet into the store. This translates into various behavioral changes depending on the product category. For example; in a chain like Best Buy, mobile provides access to competitive product pricing and leads to a concept called ‘showrooming’ in which consumers browse products at brick and mortar stores but buy them at cheaper rates online. Mobile’s immediacy generates consumer fulfillment, pricing, and satisfaction expectations. ‘How quickly can I get it, how much will it cost, and am I going to be happy with it?’ Also consumers often refer to product

ratings and reviews online before making their decision on what brand to purchase. This makes it difficult for retail stores to leverage their expertise or price to compete against online retailers.

“89% of consumers use mobile phones while shopping for consumer electronics.” – Jill, Best Buy

❖ **Mobile is changing retail marketing practices:**

Retail marketers can no longer rely only on large advertising budgets centered on television and print to promote their goods or services. To effectively reach consumers, brands need to be present in the micro moments when consumers research and shop for products and services. Shopping no longer happens from weekly circulars and store trips; it happens on mobile on the bus ride to work, or on the walk to the coffee machine in between meetings; or at the dinner table during a lull in the conversation. Offer personalization also plays an important role in winning the sale. Thus it is no longer adequate to build brand visibility with advertisements in the right places on mobile; companies need to embrace changing and heightening expectations from consumers about levels of service, flexibility, shipping speed, and customization.

“Marketing messages must be hyper-localized, contextually relevant, and targeted to mobile experiences and workflows to be effective.” – Chris, Target

“Proximity marketing provides clear ROI / attribution based on store lifts –this makes mobile a great channel to work with.” –Catherine, xAD

❖ **Mobile marketing is not only about advertising; it needs to provide value**

The mobile medium, as suggested earlier, is often used by consumers to ease the shopping process. Whether it is remembering what to buy and when to buy, connecting coupons to the mobile grocery list, providing directions to a store near-by, offering valuable advice through peer reviews, improving store

trip efficiency through information related to recommended products, store layouts and aisle paths; the mobile has become the new shopping assistant! While consumers always look forward to discounts and coupons, access to promotions is not a good enough deal to share their personal information in return.

“Trust and utility are the most important pieces to this marketing, else it can become noise!” – Anne, KWOLIA, LBA

❖ ***Consumers do not completely understand mobile location-based marketing:***

Consumers prefer to be in control of their own information so they can decide when and what data to share. Similarly they also like to be in control of what information is targeted to them. Even if consumers opt-in to receive marketing content, a message received while walking past a retail store or at the time of entering a retail store can jolt the consumer. The lack of understanding how this medium works makes consumers feel vulnerable.

When marketing is relevant and contextual it attracts the attention of consumers; it makes them feel special. However for retailers to serve personalized messages to consumers, it is important to access information of a customer’s location and/or purchase behavior. However, customers are not ready to share their personal information with marketers for the fear of being misused. This leads to most consumers finding location-based marketing creepy. Marketers suggest that the truth is most consumers do not realize that location-based marketing techniques are anonymized. Marketers look at the location and interest signals sent by a unique device (say, the latitude and longitude of a device, and that the device does a search for “coffee shops”), not at the human being on the other end of that device. Companies like xAD work on consumer groups/segments based on frequency of visits, store selection, dollar purchase value, etc to design their mobile marketing campaigns. Nevertheless, consumers perceive that companies are always “tracking” them and using that information to sell them additional goods and services.

“If they understand why they need to share the relevant information, they will not find it creepy.”

– Jill, Best Buy

“In my experience, what customers express and how they behave are not always the same. If a marketer were to ask me whether tracking my location was intrusive, I would probably say yes. Later that same day, if I were using my phone to find the nearest gas station, and the station gives me a targeted offer because I was nearby, I would use that offer and I would feel appreciative – and smart.” –

Chris, Target

Survey:

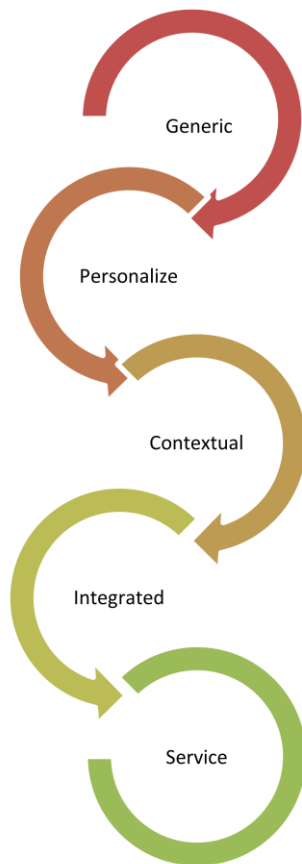
To understand how consumers feel about location-based marketing tactics, a survey was conducted using Qualtrics and promoted via email and social media. Participants were selected using the snowball convenience sampling technique. The survey consisted of 23 questions and included two screening questions, one to confirm if the participants owned a smartphone and the second to ascertain the age of the participant was above 18 years. All participants were asked about the activities they use their smartphone for and the number of hours they spend doing these activities in an effort to categorize the participants as high or low smartphone users. The assumption here was that the more number of activities a consumer engages with on his/her smartphone and the longer he/she uses the smartphone for, determines how comfortable they are with the mobile device. A few questions were also asked about the participant's mobile shopping habits – how they use their smartphone while in store and where they use it the most, at home, work or during travel.

Participants were asked to agree or disagree, on a four-point bipolar scale ranging from ‘strongly agree’ to ‘strongly disagree’ with 10 attitude statements. The topic of location-based marketing is new for most consumers. Hence, offering a five-point scale could lead to receiving responses as ‘don’t

know/can't say' which would not contribute to the study. These statements reflected the three areas of research; usefulness, intrusiveness and personalization of mobile marketing. The statements were:

Attitude/ Belief Statements	Research Hypothesis
Marketing on the smartphone is a great source of product information	Usefulness of mobile marketing measured using: <ul style="list-style-type: none"> - Generic statements - Coupons /offers - Service tips
I like to receive coupons on my smartphone	
I like receiving recipes and how-to tips on products on my smartphone	
Smartphone is a great shopping assistant	
Promotions and coupons I receive on my smartphone helps me save money!	Intrusiveness of mobile marketing messages
Marketing on the smartphone is annoying	
I do not like how retail stores know my location and send me promotions of store close to where I am!	
I hate it when marketing messages pop up on my smartphone while I am browsing on it	
I am impressed with smartphone marketing messages that relate to my need	Personalization of mobile marketing messages
Smartphone messages are too generic and not for me	

There is often a difference between what consumers say they believe in and what they do. Thus, participants were also give five hypothetical situations and were asked to note their reaction on a four point scale ranging from 'very happy', 'happy', 'displeased' to feeling 'Irritated'. Here again, the scale was changed to reactions rather than the regular 'agree-disagree' format to understand consumer behavior. The situations in the question ranged from generic mass marketing tactics to personalized offers tailored to either the location, task or past purchase behavior of the participant. These situations were designed on the premise that with the increase in personalization in each scenario, participants may feel a lack of control and find the messages intrusive. Below figure details the five scenarios used to judge behavior. Appendix B contains the questionnaire administrated for the survey.



- 'If you are at retail store and you receive a text on your smartphone that reads "Welcome!! Click A for current deals; click B for store map and aisle information and click C for product information"; Would receiving this message make you; very happy/ happy/ displeased/irritated
- If you are at a retail store, that you make purchases from often, and the moment you enter the store, you receive a text containing coupons related to your past purchase or the items you buy regularly from here. Would receiving this message make you; very happy/ happy/ displeased/irritated
- You enter a grocery store with a shopping list created in the store app on your smartphone. It has the items milk, granola bars and Cheerios. While you are in store, you receive a text that reads "Land O'Lakes milk 1 gallon at \$1:00-off" Would receiving this message make you; very happy/ happy/ displeased/irritated
- Consider the situation; you are in a grocery store in the yogurt aisle. You browse through your smartphone to know more about the new Chobani Yogurt. At this point, you get a message that reads "Chobani Yogurt at 5% discount"; Would receiving this message make you; very happy/ happy/ displeased/irritated
- You are at a retail store browsing cameras. After five minutes of looking at various brands in the store, you receive a message on your smartphone that reads "Do you need help to decide on a camera, click here";. Would receiving that message make you; very happy/ happy/ displeased/irritated

Research Findings:

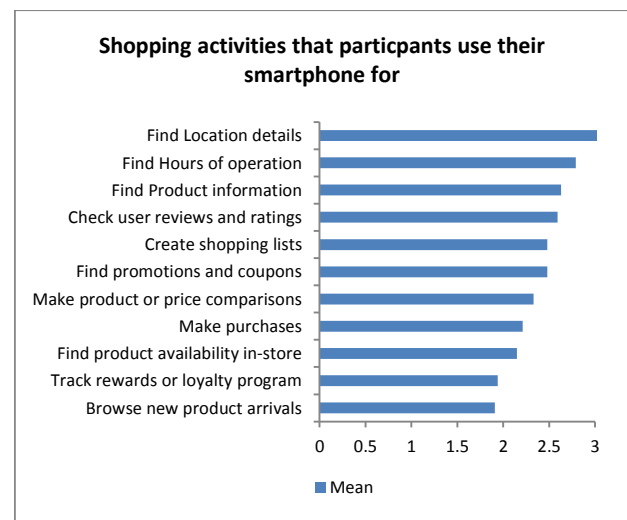
A total of 135 participants took the online survey, 121 completed the survey yielding a completion rate of 90%. Of those who completed the survey, one participant was screened out as he did not own a smartphone thus yielding 120 usable responses. Of the final participants selected for analysis, 65% were female, 29% were male and balance preferred not to reveal their gender. Thirty six percent of the participants belonged to the age group of 20-30 years, 53 percent belonged to the group 30-40 years and 12 percent were between 40-66 years of age. The youngest participant was 22 years of age, thus the survey could not capture views from the younger millennial group of 18-22 years. Most participants (91%) have some kind of college degree or a Master's level degree and over 50 percent of the participants have an annual household income of over \$100,000. Nearly 30 percent of the

participants shopped two-three times a week, nearly 40 percent visited a retail store once a week, while 23 percent two-three times a month. Other key findings are listed below in three categories:

How do participants use their smartphones for shopping?

Most participants use their smartphones for an average of 2-3 hours in a day with 78 percent of them using the smartphone between 2-7 hours in a day. Smartphone usage primarily revolves around activities such as making calls, checking email, using maps and weather apps. Seventy-two percent of the participants also use their smartphone for shopping. A majority of participants use their smartphones to seek information related to the store location, hours of operation, product details, check user reviews and ratings about products and to acquire coupons. More than half of the participants (54 percent) also use retail store apps and an equal number of people use their smartphones at home, work, in the store and while travelling.

The highest usage occurs at home and during travel. This was also revealed in the question about in-store behavior of the participants, which showed that 63 percent of the participants do not use the retail store app while in store. However, during a shopping trip, participants use their smartphones to look for coupons (68 percent participants), study product information and reviews (63 percent and 65 percent participants respectively) and explore competitor product information (54 percent participants). Refer to Appendix C: Figure 1 for the detailed charts on smartphone usage.



What do participants think about location-based mobile marketing?

Participant opinions captured through the 10 statements around the three areas of research, related to mobile marketing (usefulness, intrusiveness and personalization), show the following results:

Mean Values	High Users	Low Users	Total Users
	(n=55)	(n=65)	(n=120)
Intrusiveness	2.58	2.94	2.77
Utility Value	2.80	2.54	2.66
Personalization	2.50	2.51	2.52
On a scale of 1-4, 1 being strongly disagree and 4 being strongly agree			

The highest level of agreement among all participants was found for the statements that described mobile marketing as annoying and intrusive (combined mean of 2.77). This

was followed by a consensus on the usefulness/utility value of mobile marketing (combined mean of 2.66). A preference for personalized messages (combined mean of 2.52) was rated third by all participants. These beliefs, however, differed per the usage behavior of the participants. Thus, participants who used their smartphones for more than four hours in a day (referred as “high users” thereafter) rated the utility that mobile marketing offers higher than their concern for intrusiveness (utility mean at 2.80 vs. intrusiveness mean at 2.58). High users depend on their smartphone for a variety of activities and hence they consider mobile marketing useful. Participants who use their smartphone for less than four hours (referred to as “low users” thereafter) engage in limited number of activities and are more concerned about privacy. Hence they do not perceive mobile marketing as useful as the high users (intrusiveness mean of 2.94 vs. utility mean of 2.54).

The difference in means between the high and low users was also tested using the T-Test. The P value for the difference in means for Utility was 0.002 and the P value for the difference in means for intrusiveness was 0.0001; thus making both these differences statistically significant. Difference in means for personalization was not however, found to be significant (P value 0.296).

How do participants behave when confronted with location-based marketing tactics?

Consumption behavior determines if a new marketing medium or channel has gained acceptance among consumers. From the five scenarios presented to the participants, it was found that participants were most comfortable to receive marketing messages while shopping in the store they frequent (Mean of 1.98 for all users – closer to very happy). Additionally, when the message is customized based on their past purchases in this favorite store, it is appreciated. The familiarity associated with the store and past experience adds to the credibility and thus enhances the acceptance of the mobile message. (Scenario: Personalize)

Participants were also pleased to receive coupons for items they had noted in their grocery list on the smartphone (Mean of 2.07 for all users). This scenario assumed that the technology adopted by the retailer can not only read the grocery list recorded on the smartphone but can also connect it to relevant coupons from the store app. While this was considered as a case in which consumers could feel powerless and controlled by the retailer, the time and effort savings associated with this scenario probably diluted the feeling of intrusiveness and jumped its acceptance level among participants. (Scenario: Integrated)

A similar situation in which participants received coupons for items while they were browsing on their phone while in store was also welcome (Mean of 2.33 for all users). Again, the utility value offered by the coupons specifically for the items that the consumer was looking for perhaps assisted in upgrading the acceptance level for such push notifications. (Scenario: Contextual)

The first scenario, assumed to be the least disruptive scenario, remarkably caused huge participant dissatisfaction. The generic welcome message that offered links to coupons and product information did not excite the participants. In fact it irritated 23% of the participants (Mean of 2.63 for

all users). Plausibly, participants did not think that this generic message helped to simplify or speed up their shopping process. (Scenario: Generic)

The least impactful message ranked by participants was the situation in which participants received a message asking if they needed assistance while they were browsing for cameras in store. (Mean of 2.83 for all users). This message also irritated a number of participants (27%). Considering that shoppers, today prefer to research products online and typically visit physical stores to confirm their decision, this message may have been construed as uncalled for and intrusive (Scenario: Service).

The difference in response between the high and low smartphone users was acknowledged only in the 'personalize' and 'integrated' scenarios. Relevant coupons based on past purchase behavior from a favorite store encouraged the low users adequately to rank this scenario as the most beneficial. In contrast, high users ranked the integrated situation, depicting a futuristic scenario where the retail app can read grocery lists, as the most positive experience. The difference in means between the high and low users for the personalize, generic and service scenarios was found to be statistically significant as well. (P value- personalize scenario 0.005, P value- generic scenario 0.004, P value- service scenario 0.0003).

Participant reaction	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
	Generic	Personalize	Integrated	Service	Contextual
Very Happy (1)	10%	32%	24%	7%	15%
Happy (2)	41%	49%	54%	29%	50%
Displeased (3)	27%	10%	13%	37%	20%
Irritated (4)	23%	10%	9%	27%	14%
Total	100%	100%	100%	100%	100%
Mean –All Users	2.63	1.98	2.07	2.83	2.33
Acceptance level	4	1	2	5	3
Mean - High Users	2.37	1.74	1.73	2.52	1.95
Acceptance level	4	2	1	5	3
Mean - Low Users	2.82	2.17	2.37	3.09	2.67
Acceptance level	4	1	2	5	3

For location-based marketing, do beliefs influence in-store participant behavior?

The Theory of Planned Behavior proposes that attitudes impact a consumer's intention to perform a particular behavior. With the understanding of how participants feel about mobile marketing and how they would react in certain situations, correlation analysis was conducted to analyze if the beliefs expressed by participants played any role in influencing their behavior while shopping in-store. Please refer to Appendix C: Figure 5 for the correlation between attitude statements and scenarios.

Influence of Utility beliefs on behavior:

Across all scenarios, it was found that although high smartphone users believe that mobile marketing is useful, this attitude did not influence their action in the showcased situations. The correlation between the belief statements and the five scenarios was found to be weak (See tables below). However, a moderate positive correlation relationship was found between the belief statements 'I like to receive coupons on my mobile phone' and 'Promotions and coupons I receive on my smartphone helps me save money!' for low smartphone across all scenarios.

It can be assumed that, for low users, coupons and offers make receiving unexpected messages on the smartphone worthwhile. On the other hand, high users presumably expect more from mobile marketing than just coupons. For them, the utility aspect of mobile marketing lies in a holistic shopping experience facilitated by their personal smartphone.

<i>Belief Statement: I like to receive coupons on my smartphone</i>						
	All Users		High Users		Low Users	
	Correlation	Relationship	Correlation	Relationship	Correlation	Relationship
Scenario Generic	0.29	Weak	0.04	Weak	0.43	Moderate
Scenario Personalize	0.38	Weak	0.12	Weak	0.50	Moderate
Scenario Integrated	0.41	Moderate	0.16	Weak	0.43	Moderate
Scenario Service	0.26	Weak	-0.03	Weak	0.38	Moderate
Scenario Contextual	0.35	Weak	0.00	Weak	0.43	Moderate
Relationship is termed weak if $r < 0.3$, moderate if $0.5 < r > 0.3$, strong if $0.7 < r > 0.5$ and very strong if $r > 0.7$						

Belief Statement: Promotions and coupons I receive on my smartphone helps me save money!						
	All Users		High Users		Low Users	
	Correlation	Relationship	Correlation	Relationship	Correlation	Relationship
Scenario Generic	0.17	Weak	-0.12	Weak	0.31	Moderate
Scenario Personalize	0.16	Weak	0.01	Weak	0.19	Weak
Scenario Integrated	0.32	Weak	0.01	Weak	0.38	Moderate
Scenario Service	0.21	Weak	-0.07	Weak	0.32	Moderate
Scenario Contextual	0.28	Weak	-0.11	Weak	0.38	Moderate
Relationship is termed weak if $r \leq 0.3$, moderate if $0.3 < r \leq 0.5$, strong if $0.5 < r \leq 0.7$ and very strong if $r > 0.7$						

Influence of personalization beliefs on behavior:

Low users again showed higher inclination towards personalization as compared to high users. The belief statement 'I am impressed with smartphone marketing messages that relate to my need' showed a moderately strong positive correlation across most scenarios for low users. It is noteworthy that the highest positive relation ($r=0.55$) transpired for the 'personalize' scenario in which participants were served offers based on their past purchase at their favorite store. Since these users are not habituated to using their smartphones for shopping, the familiarity with the store probably made it more acceptable.

Belief Statement: I am impressed with smartphone marketing messages that relate to my need						
	All Users		High Users		Low Users	
	Correlation	Relationship	Correlation	Relationship	Correlation	Relationship
Scenario Generic	0.47	Moderate	0.37	Moderate	0.54	Moderate
Scenario Personalize	0.48	Moderate	0.37	Moderate	0.55	Moderate
Scenario Integrated	0.30	Weak	0.27	Weak	0.31	Moderate
Scenario Service	0.38	Weak	0.28	Weak	0.46	Moderate
Scenario Contextual	0.26	Weak	0.20	Weak	0.26	Weak
Relationship is termed weak if $r \leq 0.3$, moderate if $0.3 < r \leq 0.5$, strong if $0.5 < r \leq 0.7$ and very strong if $r > 0.7$						

Influence of intrusiveness beliefs on behavior:

The perception that mobile marketing messages are intrusive was clearly revealed by the belief statements 'I do not like how retail stores know my location and send me promotions of store close

<i>Belief Statement: I do not like how retail stores know my location and send me promotions of store close to where I am!</i>		
	All Users	
	Correlation	Relationship
Scenario Generic	-0.50	Moderate
Scenario Personalize	-0.52	Moderate
Scenario Integrated	-0.45	Moderate
Scenario Service	-0.38	Weak
Scenario Contextual	-0.46	Moderate

<i>Belief Statement: I hate it when marketing messages pop up on my smartphone while I am browsing on it</i>		
	All Users	
	Correlation	Relationship
Scenario Generic	-0.45	Moderate
Scenario Personalize	-0.45	Moderate
Scenario Integrated	-0.39	Moderate
Scenario Service	-0.46	Moderate
Scenario Contextual	-0.40	Moderate

to where I am!’ and ‘I hate it when marketing messages pop up on my smartphone while I am browsing on it’. Both these attitudes had a negative impact on behavior for all users. The service case was the only one which did not seem invasive to participants probably because it was not an advertisement.

It is interesting to note that none of the relationships exhibited very high correlation values ($r > 0.7$). A plausible explanation for this could be that the belief statements asked participants to think about mobile marketing in general which likely prompted them to think about a broad range of experiences beyond the specific scenarios provided. This may have channeled attitudes based on outside experiences as well. This difference between broad and specific could have diminished the expected strength of relationships between the beliefs and scenarios.

Shop-alongs:

Shop-alongs allow us to see how consumers actually shop, not how they say they shop. The survey results provided insight into participants’ opinions about location-based marketing and how they think they would react to these tactics. Certain scenarios that were assumed to be acceptable to participants were found unsuitable. For example: participants did not consider mobile as a shopping assistant while purchasing high involvement items (cameras) in a store. Thus, to gather more qualitative reasoning and observe real consumer behavior, four shop-alongs were conducted with friends and colleagues.

Of the retailers discussed during expert interviews, Target was selected as the shop-along location. Target launched their Cartwheel coupon app recently with location-based notifications, which makes this study feasible. Other retailers experimenting with such technologies are currently conducting tests in locations other than Minneapolis. Participants also confirmed that Target was the store they frequented for grocery purchases. Each shop-along was conducted at the participant's Target location of choice and the method followed was primarily observation interspersed with interview questions. For example, when the participant received a push notification, the researcher questioned if the participant liked or disliked receiving these messages. Questions also revolved around what they liked about the app, why they used it and what changes they would like to see in it. A few hypothetical situations were also discussed to understand the level of comfort for such location-based marketing tactics. Each shop-along was carried out for 45-60 minutes. Below participants cooperated in the shop-along:

Participant	Linda	Madeline	Ridhi	Adam
Favorite Target	Richfield	Saint Paul	New Brighton	Minneapolis downtown

Research Results:

Below themes were found across the shop-alongs:

❖ *I like my shopping trip to be quick and easy*

All the participants who engaged in the shop-alongs want their retail store visits to be an in-and-out affair. Shopping was not a form of 'retail therapy' for them. These participants knew what they wanted to buy and all of them shopped referring to a list (paper, on phone or a mental list). Most of them also knew where to find their items on their list. They would like their smartphone to ease and speed up this process further. Thus features by which they can get aisle information for the items on their grocery list, mobile check-out, and proactive information about product availability are all welcome.

❖ ***I prefer to look for product information at home, not in the store***

All four participants conducted online research and compared prices across stores before deciding to buy from the store. The more expensive the item the more extensive is the research. Typically, Amazon was used to compare prices online and offline and review user ratings. QR codes which offer product information with a simple scan, was not seen as a viable option. These shoppers also did not find it feasible to read about products on the phone while in store as it would disturb their fellow shoppers.

This need and habit of owning information before entering the store typically eliminated the use of the smartphone to provide assistance. However, one of the participants felt that if help was needed to say pick large items or to answer a particular query, she would be open to service alerts provided by her smartphone. She described a satisfactory situation as:

“What I would like is, when I enter the store a box pops up on my phone which reads ‘Target Help’ and then it is up to me to access the help or ignore it. And it should just disappear after that so I can continue to do my stuff, make calls.”

❖ ***Talk to me about me and not about others***

All shoppers who participated in the shop-along confirmed that they would like to receive coupons and offers for the items on their grocery list – items they planned to buy anyway. For generic offers, they were happy to receive it by email or pick a flier but not get those on their smartphone. A few also spoke about switching brands if there was a deal on a competitor brand for the product they were looking for. And better still, if this information is provided by their retail store app.

“I want them to personalize the deals to me. It has to be relevant. I mean why would I want to see discount offers on things I do not purchase?” – Adam

“I am open to trying out a different brand if it at a discount. I usually buy KIND granola bars but Cartwheel shows that today the K-bars are on offer, so I will get these.” – Madeleine

❖ ***Personalized offers are useful, and if that means getting tracked, I’m ok!***

All the participants also occasionally shopped online. Some of them even preferred to buy their non-perishables online and visit stores only to buy produce. They were fully aware that when they surfed websites or conducted searches online, their movement was being tracked.

As Adam put it *“I am aware that they track my movement on their website. I signed up for it when I started using the internet; didn’t all of us?”*

Thus, if a retailer was also tracking their purchase behavior and using that information to suggest future purchases, this activity, although intrusive, was acceptable to the participants.

“Can the app suggest to me to buy milk because it has been fifteen days since I bought my last gallon. Wow! That’d be wonderful!” – Ridhi

❖ ***Pop-up offers, no!***

As much as shoppers liked receiving offers for their requirements, none of them were excited about receiving pop-up messages when they were shopping in-store. However, if an offer for an ingredient appeared while the participant was say browsing a recipe website, on their mobile, while in store, they were happy to look at it. It needs to be connected to either what they were looking for or what they were doing. Thus, one of the benefits of Cartwheel was that shoppers could pull up offers per their convenience. This not only helped them to pre-plan but also gave them a sense of control over the entire situation.

"If I get a message about an offer while I am shopping, there is no time to do math right there, compare with what I was planning to buy, people walking, kids screaming around you! Just seems stressful." - Ridhi

"I have an idea of how I want to be marketed and I would like the retailer / company to respect that" – Adam

Interpretation of Findings

Discussion: Hypothesis 1: Perceived usefulness of mobile marketing will increase the acceptance of location-based tactics among consumers.

The research findings suggest that marketers and consumers believe that for location-based mobile marketing to succeed, it needs to provide value to the consumers (Stephen Interview, 2015). A mobile phone accompanies a consumer everywhere; two-thirds of us sleep with our mobile phones right beside us, thus if it is not useful it can become an irritant. An overwhelming majority of participants in the survey (above 68%) agreed that marketing information on the mobile phone is very useful; 81% participants felt that smartphone is a great shopping assistant and 68% found it easy to access coupons and discounts via the smartphone. This was derived by adding the positive (strongly agree + agree referred to as top 2) and negative responses (strongly disagree + disagree referred to as bottom2) for all participants (Refer Appendix C: Figure 2). It is no wonder that retailers and consumer goods companies are conducting experiments to ease a customer's shopping experience and provide utility by offering virtual store maps, help alerts and coupon expiry details. Specifically, the above study presents that:

- ❖ High smartphone users share a higher conviction that mobile marketing is useful
- ❖ However, this belief does not influence them to appreciate the utility aspects of the specific location-based marketing messages in the survey. This is probably because;

- ❖ Usefulness is interpreted differently by high and low smartphone users. While coupons and offers provide utility to a mobile marketing message for low users, this does not encourage participation from high users. A more automated shopping experience is probably desired by them.

Thus, it can be said that Hypothesis 1 is partially supported by the research findings.

Discussion: Hypothesis 2: Personalizing the mobile marketing message will increase the acceptance and impact of location-based tactics among consumers

The smartphone can truly serve as a useful and time-saving device for consumers if the marketing content is tailored to the situation, needs and interests of the consumers. A discount offer on diapers sent to a woman with no kids or a message sent informing consumers about a sale at Macy's after they have moved out of the location does nothing to further the case for mobile marketing. In fact the lack of relevance causes consumers to opt-out of these messages. This was supported by the research in the following manner;

- ❖ Both high and low smartphone users did not think they would be impressed by marketing tailored to their needs and situations (low mean values for personalization belief statements)
- ❖ In contrast, marketing scenarios that offered higher value to them either through coupons based on their search, past behavior and/or grocery list were highly appreciated by high and low users alike (Personalize, Integrated and Contextual scenarios earned top 3 means from participants)
- ❖ The interaction between belief and behavior was found more strongly correlated for the low users

Thus, it can be said that Hypothesis 2 was moderately supported by the research findings.

Discussion: Hypothesis 3: Feeling of intrusiveness and lack of control will negate the acceptance and impact of location-based tactics among consumers.

For consumers to experience the magic of location-based marketing, they need to allow marketers to track their location, wish lists, and understand their likes/dislikes. However, a lot of consumers fear that their personal data shared with the retailer may be accessed by unauthorized parties and will be misused. This concern was evident across all attitude and behavior responses in the study:

- ❖ The feeling that mobile marketing can be intrusive is shared by both high and low users however, this idea was more strongly pronounced among the low users (high belief means for low users as compared to high users)
- ❖ Despite, the need for control, scenarios assumed to be highly intrusive (Integrated, Personalized, Contextual) were found acceptable to low users. The moderately strong negative correlation between intrusiveness statements and the five scenarios points to the possibility that if these users felt a lack of control during their interaction, they may disengage from location-based marketing. The utility and personalization aspects of these messages although adequate to encourage participation are not influential enough to diminish their concerns for privacy
- ❖ High users found location-based messages containing coupons annoying and unproductive. These users presumably expect their smartphones to offer better utility; they seek services to ease the purchase process and not just offer discounts, as seen in the low level of intrusiveness experienced only for the integrated marketing scenario.
- ❖ Although it is expected that high users would have a fair knowledge of how retailers access their location information, their actions did not generate a weak correlation across scenarios. Their reactions were found unpredictable across situations, thus making them susceptible to intrusiveness.

Thus, it can be said that Hypothesis 3 was supported by the research findings.

Limitations and Future Research

The research offers some insight on the factors that impact the acceptance of location-based marketing tactics, however there are certain limitations related to the research method that could potentially impact the findings.

The expert interviews were conducted using referrals and thus included marketers largely based in Minneapolis (one marketer was based in Amsterdam). Future research needs to be conducted with marketers from across the nation and with a larger pool to eliminate the bias of known people from the same geography. Again, this technique was used to efficiently reach marketers who were directly involved with mobile marketing. However, the fact that they were engaged in working with mobile made them biased. Most believed that the medium has huge potential for marketing. Another concern with interviewing marketers employed in this field is that it is difficult for them to think like average consumers on issues like privacy and intrusiveness. These experts' ability to visualize the benefits one can accrue from location-based marketing prohibits them from comprehending exactly why and how consumers are not positively rushing for it.

To experiment with location-based marketing marketers need to install beacons or Wi-Fi in their stores to create a virtual fence for the store which can recognize the entry and exit of consumers. It is not as simple as the new digital techniques like online or social marketing which are iterative and can be explored without much setup or capital investment. Due to this, not many retailers have embarked on implementing these tactics. This had a direct impact on the pool of marketers from whom interviewees had to be selected.

The research survey also used a snowball sampling method and was shared with friends and colleagues primarily from the Minneapolis region. From the expert interviews, we know that

experiments related to location-based marketing are largely being conducted on the west coast. The responses of the survey participants to the attitude and behavior questions could be different if they would have been frequently exposed to such marketing tactics.

The survey failed to capture respondents in the Millennial generation (youngest survey participant was 22 years old). Since it has been found that familiarity and usage of the smartphone influences how participants think and react to such tactics, it may be worthwhile to conduct research that includes equal representation from all generations.

The attitude questions in the survey aimed at understanding participant beliefs towards mobile marketing in general. While this was useful, the correlation analysis suggests that this may have prompted them to think beyond the specific scenarios showcased in the survey, thus making it difficult to identify direct dependencies. One of the belief statements, 'mobile marketing is too generic and not for me', used to gauge participant's inclination towards personalized messages was also found ineffective during the correlation analysis. Contrary to expectations, the results showed that this belief statement had an inverse relationship with all the scenarios. On observation, it was found that it followed the trend of all the negatively worded statements in the question, namely the intrusiveness statements. Presumably a more positively worded statement could have yielded the anticipated result.

Shop-alongs were conducted with four participants selected as per convenience. Although these four participants provided a good range in terms of age (youngest participant was 25 years old and oldest participant was 51 years old), it did not capture a good mix in terms of gender (only one of the four participants was a male). Again, all the shop-alongs were conducted in the Minneapolis area. Target was chosen as the retail store of choice for this activity based on its experience with location-based marketing efforts. Target won the award for the best mobile retailer in 2013. However, due to this, the study captured consumer preferences towards location-based methods only in grocery retail. Future

research needs to be carried out to in retail stores such as Macy's, Home Depot and Walgreens who also have been investing heavily in location-based marketing. Research across categories would provide fresh perspective into consumers need for utility, personalization and privacy when it comes to high involvement products (Home Depot), pharmacy products (Walgreens) and apparel shopping (Macy's). Macy's and Walgreens won the mobile retailer award in 2014; it would be interesting to note consumer reaction for the techniques adopted by these marketers.

The shop-along study was conducted using the Cartwheel app, which is a pull-based coupon app. Push notification is sent only when users enter the store to remind them to use the Cartwheel app. Target and other retailers are also investing in other push-based technologies which can enable the retailer to send push messages to customers inside and close to the store. Since this was not available at the time of research, the study could not capture participant sentiment for this tactic.

Key Learnings

The survey findings along with the discussion with consumers and marketers support that there exist significant differences in consumer preferences towards location-based marketing. While the agencies of choice largely rely on the three tenets explored in the study, utility, personalization and intrusiveness (as seen in the academic studies); its impact differs with every consumer. This is because no two connected consumers are alike. Some consumers may want to use the mobile version of a retailer's website while some may want to use the app. Some may happily share their location information to get messages from in-store beacons and some might think it drains battery and will not participate.

Limited focus and on-the-go consumption also triggers short interaction avenues in which marketers need to provide relevant and useful information or else they risk losing the opportunity to

connect with the consumer in future. With customers receiving more and more messages from companies, the need to get noticed and cater to individual requirements seems imperative. A mobile phone knows better than any other medium consumer demographics, shopping patterns, interests, context (location, weather, time of the day, etc.) and channel (mobile) usage habits (frequent visitor, highly engaged consumer, etc), hence these considerations need to be used in designing marketing campaigns. Below are a few learnings from the study that can be leveraged to enhance the effectiveness of location-based mobile marketing strategies:

❖ ***Treat each consumer differently - mobile customer segmentation:***

Customer segmentation has always been a well-accepted and applied concept in marketing. Several mobile user segmentation systems are available that can be used to slice the target audience. For example: Simmons® offers mobile consumer segmentation and psychographic scales that divides consumers into segments such as Mobirati or the mobile generation, Social connectors, Mobile professionals, Pragmatic adopters and basic planners (Simmons). Other services such as 'Swerve' provide details on how consumers use a particular retailer/brand app (pages visited, items shared, or purchases made). However, there is a need to bring all this information together. The study reveals that mobile usage determines consumer inclination to location-based tactics to a large extent. And this information should inform frequency and timing of location-based messaging.

Nonetheless, inexperienced smartphone users were found to be more excited about customized offers and discounts as compared to experienced smartphone users (survey analysis) and should not be forgotten. Marketing acumen lies in architecting the content for different users to encourage them to participate. This customization should take into account things like people's preferences, buying behavior, recommendations, location, device used, data speeds, gender and age among other things. Take millennials for example. This digital native generation is well versed with using smartphones for

various tasks. They are often considered an 'experience-seeking' generation that believes in spending time and money on new learnings and adventure than owning things. Mobile marketers need to cater the needs of this generation and serve automated mobile shopping experiences while providing incentives such as coupons for the unfamiliar users to latch on.

❖ ***Reduce the feeling of intrusiveness – make yourself welcome:***

As one of the research study participants pointed out “my mobile phone is a personal device; it accompanies me to my bedroom. The last thing I want is knocks and messages that remind me of door-to-door sales people.” The mobile phone is a valuable channel to connect with consumers but it inhibits communication that is broadcast on other media channels. On a television or outdoor mediums, consumers accept mass advertising; on websites, they put up with banner advertisements, sometimes, even unrelated ones; however when it comes to mobile, it is expected that content would be customized to the user. But as much as consumers prefer relevant marketing, they are not ready to trade their control on how they would like to see these messages. Across age-groups, usage profiles and research methods used in the study, it was found that consumers are not happy to receive unexpected text messages. They prefer to use apps to interact with brands and retailers and appreciate the freedom to decide what notifications they would like to receive and at what intervals. Pull is considered as a more acceptable form of communication as compared to push messaging. This sentiment was strongly expressed by all Cartwheel users.

However, this does not mean that consumers do not wish to connect with marketers at all in the retail store. They prefer communication in the form of reminders to use the app or information / coupons for items on their wish-list (which is a consumer's way to show intent to purchase) or by scanning a product bar code while in-store. Appropriate content assists in reducing the intrusiveness of the marketing messages. Give consumers what they looking for and they no longer find it invasive!

❖ ***Adapt to consumer expectations influenced by non-mobile marketing channels – Impact of online shopping & advertising:***

Habits are difficult to change. A vast majority of the U.S. consumer population engages in online shopping. This medium offers consumers instant product information, reviews by friends and influencers, price comparisons across brands and stores, single-click purchases, secure payment systems and home delivery. Regular usage of these features has now converted these aspects of online shopping into expectations across shopping mediums. Thus when consumers move from one screen to another or online to offline, they expect a seamless and similar experience. They expect location-based mobile marketing to continue from where they left off, surfing or shopping on the tablet or desktop. They expect to see their digital experiences convert into tangible retail store experiences. Thus, if they are treated differently online due to a preferred customer status, this information needs to flow in while they are shopping in-store as well. The selection of the integrated scenario by participants and suggestions such as ship to store, ship to home, information about item availability in store, etc shared in the survey also points to this expectation.

Recommendations:

In line with the learnings above, below action strategies are suggested that may be implemented by retailers to encourage the mass acceptance of location-based marketing among consumers:

❖ ***Consumer Education:***

“Consumers do not completely understand location-based marketing” was commonly echoed by the experts interviewed in the study. Hence, effort needs to be taken to educate consumers and pacify their concerns. Most retailers such as Target (Cartwheel), Best Buy, Whole Foods and others do a good job of informing consumers of what information is collected through the app, what information gets collected

automatically and how this is used for marketing and other internal purposes as a part of their privacy policy published in the app. Refer to Appendix A: Figure 5 for screenshots. But these form part of the terms and conditions that consumers seldom read before signing up. Cues to this section in the app, specifically to the low smartphone users may be useful. This can be done via email marketing.

Not many retailers offer options to consumers to control their experience through the app. When consumers subscribe to email marketing, they are often provided choices to reduce the frequency of receipt of messages if at any time they wish to discontinue their subscription. However mobile apps currently do not provide a filter by which consumers can customize frequency of notifications and/or area of interest. Due to the lack of such options on mobile apps, when smartphone users do not find marketing messages on a particular app useful, they simply delete the app, thus blocking all future communication from marketers. Consumers should be given the option to pick out messages that they find intrusive, useful and too frequent.

Consumers also need to be educated that not all location-based marketing technologies are alike. Several location-based tactics such as those used to direct them to a gas station or a nearby McDonalds at noon, only track mobile phone GPS coordinates. All the technology would know is that a smartphone searched for “Coffee” and not who that person is. They operate like outdoor billboards on freeways which guide drivers to the nearby restaurants. Messages are sent to all smartphones in a certain radius around the store to improve walk-ins. Social media can also play an important role in reducing the anxiety around location-based messages. If consumers find their friends interacting with such messages, they may be tempted to try it as well.

❖ ***App Adoption:***

Research showed that familiarity induces credibility to the marketing messages sent by the retailers. More than half of the participants in the survey study used retail store apps; however a majority of

these were experienced smartphone users. In light of these findings, it is recommended that marketers persuade low users to adopt retail store apps to look for and use coupons.

Currently, a number of retailers advertise on affiliate websites such as recipe websites (Epicurious.com), coupon websites (RetailMeNot) and reward program sites (Shopkick). While this strategy works to administer relevant advertising to consumers and has proven successful, it does not drive consumers to use retail store apps. Habituating consumers to use retail store apps gives retailers the chance to showcase other offerings such as store map, reward programs or product suggestions which may go a long way in building stickiness with the brand.

Activities performed by high users could be used as cues to improve the involvement of the inexperienced users. This would mean adding features such as weather forecast, suggestions based on seasons /climate, etc. While this could mean researching behavior beyond the retail store app, a surgical conversion of these users could prove very beneficial to the retailers in the long run.

❖ ***Conversion Experience :***

Amazon has, for several years now, analyzed consumer information to such a degree that the online retailer is capable of recommending products and predicting purchase cycles based on a consumers' purchase history. Consumers, initially uncomfortable with this approach, today applaud the retailer's efforts of easing the shopping process with innovations such as one-click purchase, Dash technology, Prime delivery and zero-hassle returns. The convenience that Amazon offers throughout the purchase cycle tempts users to shop high and low involvement goods online. For retail chains that compete against offline and online retailers, offering a memorable customer experience is the key to brand stickiness and loyalty.

Akin to Amazon, retailers need to focus on providing experiences that lead to purchase conversion. Offering coupons may create the excitement to experiment with location-based tactics but is not a long-term solution. Retailers need to add features to the app which help in furthering the purchase transaction. The restaurant ratings app, Yelp has managed to get consumers to return to its app time and again by incorporating such benefits. Starting with consumer ratings, the app now offers delivery options, directions and suggestions based on the time of the day. Retailers can deliver experiences in the form of single-click purchase for items not found while shopping in-store, option to scan items while buying in-store with the alternative to ship to home if the total purchase is beyond a certain value, exclusive payment queue and/or prompt assistance to offer valuable insights that can help close the sale. Mobile payments such as Apple Pay may provide the push for consumers to actively use smartphones in store.

To close, “Nobody can resist mobile today. There are inflection points where you can create great change. Mobile is part of that today.” (Grey, 2015)

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Appendix

Appendix A: Tables and Figures

Figure 1: US Digital Ad spending share, by Industry, 2015

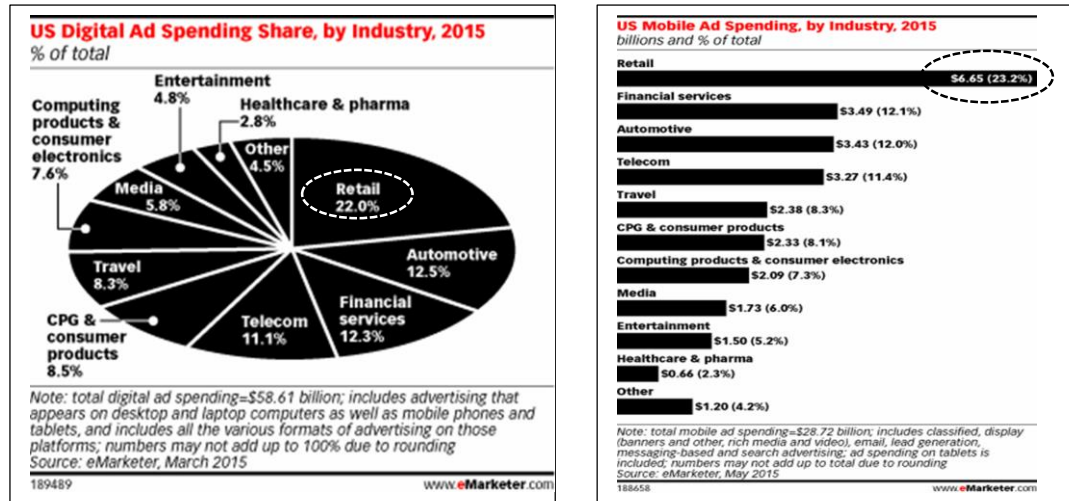


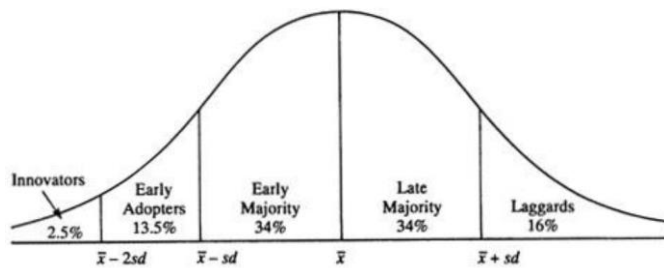
Figure 2: Sample of location-based advertisements: Hillshire case



Advertisement for Hillshire sausages appears on surfing the Target app

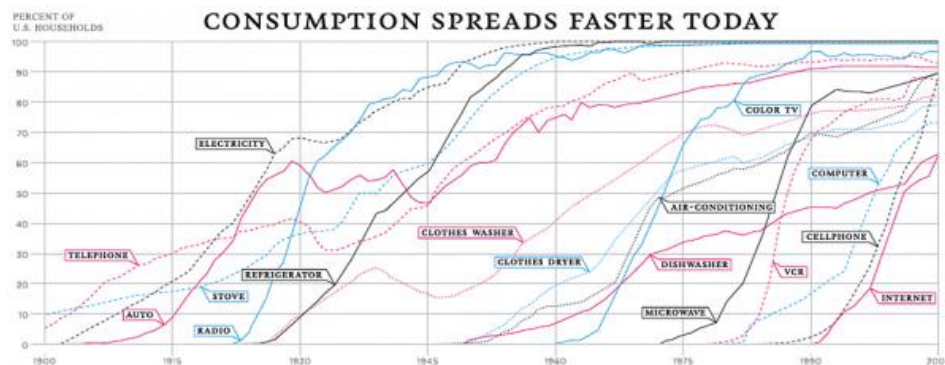
Advertisement for Hillshire sausages appears while browsing recipes on Epicurious

Figure 3: Patterns of Adoption and Adoption 'S' Curve



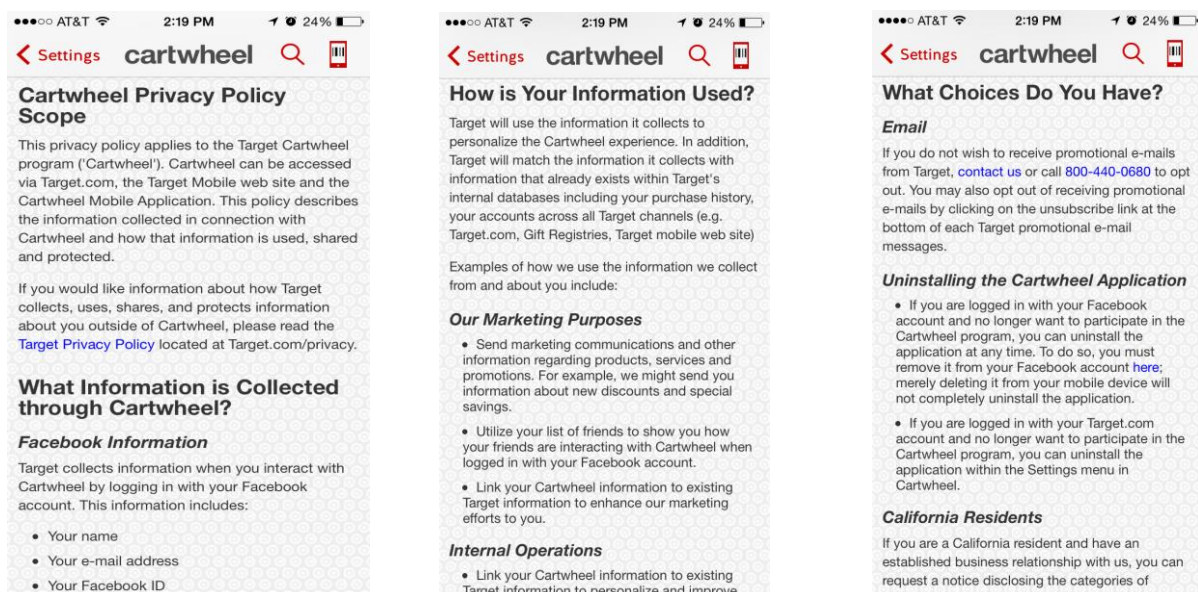
Source: Rogers, E. M. (2003). *Diffusion of Innovations*, (5th ed.). [Kindle edition]. New York: Free Press.

Figure 4: Adoption of mobile phones across the world



Source: <http://www.karlhartig.com/chart/techhouse.pdf>

Figure 5: Screenshots from Target Cartwheel app (privacy policy)



Appendix B: Survey Questionnaire

Default Question Block

More and more retailers are marketing directly to consumers through their smartphones. This survey aims to understand how consumers like you feel about this marketing approach.

The survey will take approximately 10-12 minutes. Participation is voluntary and you may opt-out at any time, though you are urged to complete it to the best of your ability.

Note: records of this study will be kept private and the report containing survey results will not include any identifying or personal information about survey respondents.

The study is being conducted by Reshma Kapadia as a part of her capstone project at the School of Journalism and Mass Communication at the University of Minnesota. Please contact the researcher in case of any questions at kapad007@umn.edu.

Thank you for your support!

1. Do you own a smartphone? (Screening question)
 - a. Yes
 - b. No

If the answer is 'yes' continue to Q2, else the survey will be closed with the message;
"Thank you for taking this survey."

2. For how many hours do you use your smartphone in a day? Please choose one.
 - a. 0-1 hour
 - b. 2-3 hours
 - c. 4-5 hours
 - d. 6-7 hours
 - e. 7+ hours
 - f. Other _____ (Please specify)
3. Which of the following activities do you use your smartphone for? Please check all that apply.
 - a. Send or receive email (Official or personal)
 - b. Use social networking sites such as Facebook, Twitter, Instagram, etc.
 - c. Get news
 - d. Use maps for navigation
 - e. Check weather
 - f. Shop
 - g. Play games
 - h. Listen to music
 - i. Watch videos or movies
 - j. Read books or magazines
 - k. Track personal fitness
 - l. Others _____ (Please specify)
4. How often do you use your smartphone for the following shopping activities? Please rate from 1 to 4 with 1 being never used and 4 being never always.

	Never	Occasionally	Often	Always
a. Find hours details	1	2	3	4
b. Find location details	1	2	3	4
c. Find product information	1	2	3	4
d. Make price/product comparisons	1	2	3	4
e. Find product availability in-store	1	2	3	4
f. Check user reviews and ratings	1	2	3	4
g. Make purchases	1	2	3	4

- | | | | | | |
|----|-------------------------------|---|---|---|---|
| h. | Find promotions and coupons | 1 | 2 | 3 | 4 |
| i. | Browse new product arrivals | 1 | 2 | 3 | 4 |
| j. | Create shopping lists | 1 | 2 | 3 | 4 |
| k. | Track reward/ loyalty program | 1 | 2 | 3 | 4 |
5. Where do you use the smartphone for any of the above shopping related activities? Rank the following in order from 1 to 4 with 1 being rarely used and 4 being used the most at.
- At Home
 - In Store
 - While travelling
 - At Work
6. Do you use any retail store apps like those of Target/Cartwheel, Best Buy, REI, Kohl's, Macy's, DSW, Nordstrom, Walgreens, CVS, etc?
- Yes
 - No
7. Please explain why you use these retail apps
8. Please explain why you do not use these retail apps
9. Have you used your smartphone inside the store for any of the below shopping related activities?
- | | | |
|------------------------------|---------|--------|
| Browsing product information | () Yes | () No |
| Check ratings and reviews | () Yes | () No |
| Look up competitor product | () Yes | () No |
| Check for coupons | () Yes | () No |
| Browsed store app | () Yes | () No |
| Other _____ | | |
- Please read the following scenarios and select the answer that best describes your reaction
10. If you are at a retail store and you receive a text on your smartphone that reads "Welcome!! Click A for current deals; click B for store map & aisle information and click C for product information. Would that message make you;
- (1) Very Happy (2) Happy (3) Displeased (4) Irritated
11. If you are at a store you purchase from often and the moment you enter you receive a text containing coupons related to your past purchases or regular items; Would that make you;
- Very Happy (2) Happy (3) Displeased (4) Irritated
12. You enter a grocery store with a shopping list created in the store app on your smartphone. It has the items milk, granola and Cheerios. While you are in-store you receive a text that reads "Land O' lakes milk 1 gallon 1:00\$ off"; Would that message make you;
- Very Happy (2) Happy (3) Displeased (4) Irritated
13. You are at a retail store browsing cameras. After five minutes of looking at various brands, you receive a message on your smartphone that reads "Do you need help to decide on a camera, click here"; Would that make you;
- Very Happy (2) Happy (3) Displeased (4) Irritated
14. Consider the situation: You are in a retail store in the yogurt aisle. You browse your smartphone to know more about the new Chobani yogurt. At this point, you get a message "Chobani at 5% off". Would that make you;
- Very Happy (2) Happy (3) Displeased (4) Irritated
15. For the next section, please think about mobile marketing in general and rate the following statements from 1 to 5 with 1 being you strongly disagree with the statement and 5 being you strongly agree with the statement:
- Marketing on the smartphone is a great source of product information
 - I like to receive coupons on my smartphone; it helps me save money
 - Marketing on the smartphone is uncalled for and annoying

- Smartphone is a great shopping assistant; makes my shopping trip quick and easy
- I wonder how retail stores know my location and send me promotions of stores close to where I am
- I am impressed by smartphone marketing messages that relate to my need
- I hate it when marketing offers come up on my smartphone while I am browsing on it
- Smartphone marketing messages are too generic and not for me
- I like receiving recipe/how-to links and coupons for products I regularly buy

I would be willing to share below information about me with select retailers in exchange for personalized rewards and deals:

Gender:

Strongly Disagree 1 2 3 4 5 Strongly agree

Zip Code:

Strongly Disagree 1 2 3 4 5 Strongly agree

Details of discount coupons used earlier:

Strongly Disagree 1 2 3 4 5 Strongly agree

Details of items purchased earlier:

Strongly Disagree 1 2 3 4 5 Strongly agree

Number and ages of family members:

Strongly Disagree 1 2 3 4 5 Strongly agree

16. Assuming there are no technological limitations, what are some of the ways you would want retailers or companies to connect with you through the smartphone while you are shopping in-store? For example: sending you a text about an item on your wish-list or cart when you are close to the store, could be an option
-

17. What if anything, are things you dislike about smartphone marketing?
-

18. Demographics:

a. Gender: (Choose one)

- i. Male
- ii. Female
- iii. Prefer not to answer

b. Number of shopping trips in a month (Choose one)

- i. Less than once a month
- ii. Once a month
- iii. 2-3 times a month
- iv. Once a week
- v. 2-3 times a week
- vi. Daily
- vii. Other _____

c. Education: (Choose one)

- i. GED/ High School Diploma
- ii. Some College Education
- iii. Bachelor's level Degree
- iv. Master's level Degree
- v. Doctoral level Degree
- vi. Other _____

d. Income: (Choose one)

- i. Less than \$10,000
- ii. \$11,000-\$30,000
- iii. \$31,000-\$50,000
- iv. \$51,000-\$70,000
- v. \$71,000-\$100,000
- vi. \$101,000-\$150,000
- vii. Higher than \$150,000

Thank You for taking this survey!

Appendix C: Survey Results

Figure 1: Smartphone usage of participants

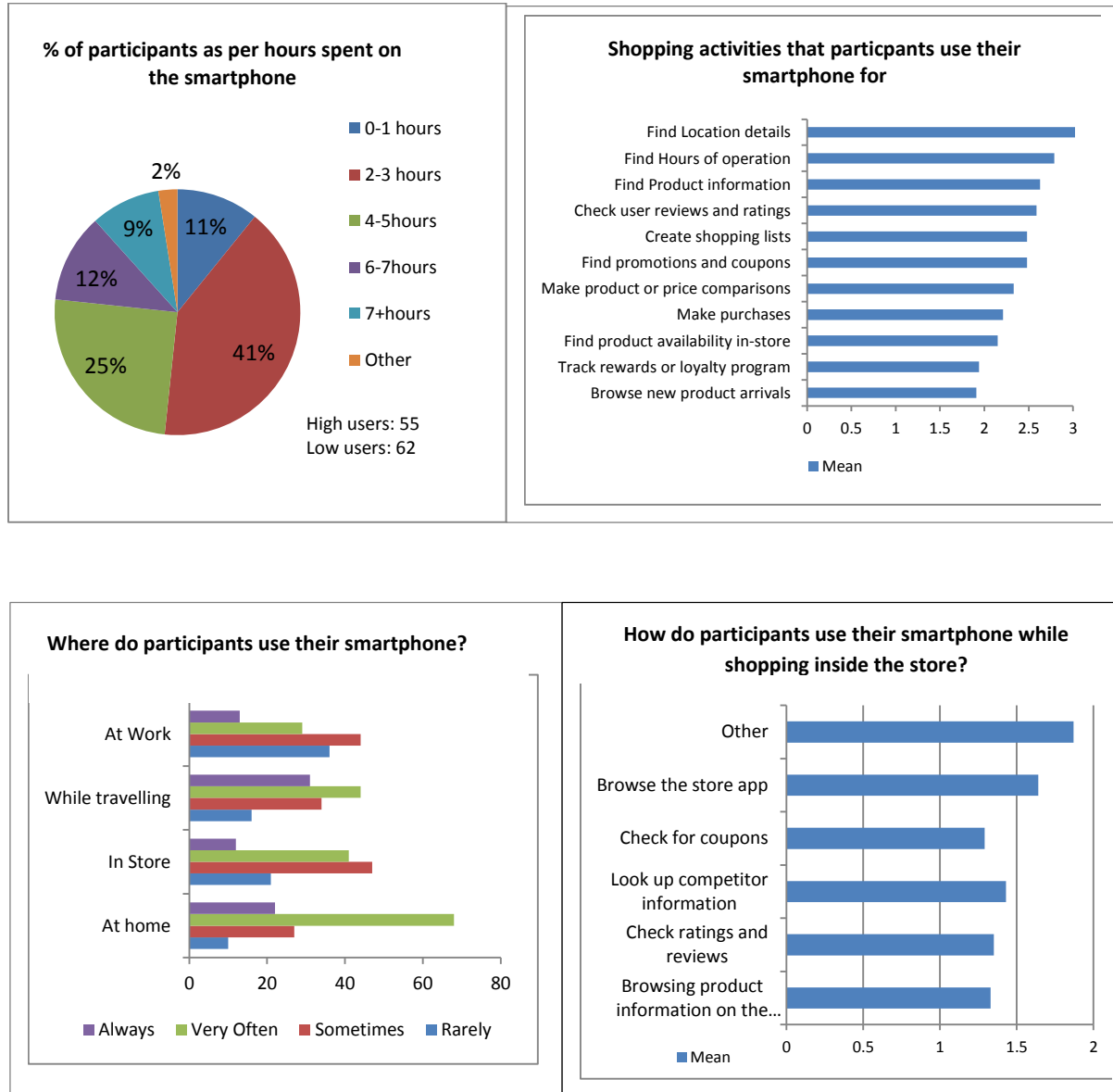


Figure 2: Response to belief statements about mobile marketing

Question	Bot 2	Top 2	Total	Bot 2 %	Top 2 %	Hypothesis
Marketing on the smartphone is a great source of product information	33	83	116	28%	72%	Utility
I like to receive coupons on my smartphone	37	80	117	32%	68%	Utility
Marketing on the smartphone is annoying	52	65	117	44%	56%	Intrusive
Smartphone is a great shopping assistant	22	94	116	19%	81%	Utility
I do not like how retail stores know my location and send me promotions of store close to where I am!	53	65	118	45%	55%	Intrusive
I am impressed with smartphone marketing messages that relate to my need	48	69	117	41%	59%	Personalize
I hate it when marketing messages pop up on my smartphone while I am browsing on it	27	91	118	23%	77%	Intrusive
Smartphone messages are too generic and not for me	61	55	116	53%	47%	Personalize
I like receiving recipes and how-to tips on products on my smartphone	80	37	117	68%	32%	Utility
Promotions and coupons I receive on my smartphone helps me save money!	38	79	117	32%	68%	Utility

Figure 3: Reasons why smartphone users like or dislike using retail store apps

Reasons for using retail store apps:

- ✓ Discounts / Deals / Coupons and saving money (58% participants)
- ✓ Ease of use as compared to accessing a retail store website (27% participants)

Reasons for not using retail store apps:

- ✓ Don't see a use for the app; prefer to use the computer (27% participants)
- ✓ Too many apps, no excess space on the phone" (22% participants)
- ✓ Privacy concerns (8% participants)

Figure 4: What are some of the ways you would want retailers or companies to connect with you through your smartphone while you are shopping in-store? (Excerpts)

- ✓ I would not like receiving text messages regarding deals while I'm shopping. That seems invasive. I am cool receiving sending messages or push notifications through an app, though. I downloaded the app. I selected the type of notifications I want to receive. I have the power in that scenario. When I walk in to Cub foods, my iPhone shows a little cub app icon that reminds me to open the app. I check out the coupons, select the ones I want, and continue on my way. I do not want to be bombarded with promotional texts. They have the printed coupon book that gives me the same information without being annoying or invasive.
- ✓ I like the idea of an app connecting directly to a list you've made on your phone. If a retailer can connect discounts or promotions to the specific things I'm looking for, that's great. Especially if its done in a way that isn't spammy or invasive (like an in-app notification as opposed to a text message).
- ✓ I'd like the info prior to entering the store to avoid impulse purchases
- ✓ 1. Allow me to send shopping list to store via app and they put everything in bags and ready to go when I arrive. 2. Allow faster checkouts by allowing me to scan items on my phone and pay through my phone. 3. Allow me to send a shopping list to store when I walk in and they send me coupons on the items on my shopping list 4. Do automatic price match for items on my list during checkout
- ✓ Send a text alert about comparative prices of the same item in stores near by
- ✓ I would like the App to see that trend, and provide coupons on those products that I typically purchase. Seasonally-appropriate messages would be welcomed, as well, "we see you have Post-it(R) Notes on your list, check out the 5% savings on all back-to-school essentials". Or, "we see you have Scotch(R) Magic Tape on your list, holiday wrapping paper is 10% off this week."

Figure 4: What are some of the ways you would want retailers or companies to connect with you through your smartphone while you are shopping in-store? (Excerpts) (Continued)

- ✓ Discounts on shopping lists and maps of where to easily find items in the store so I don't have to shop around would be about the only items I'd want from a retailer. It's convenient so I like it, but also see it as invasive.
- ✓ Would be helpful to see product reviews and pricing from multiple sources. Also one-touch purchasing and free delivery if the product is out of stock at the store
- ✓ I like the idea of tying it to a search or being able to easily seek out what coupons are available for that store (retail-me knot type approach) vs. proactively being reached out to
- ✓ i would like them to use info from my past and let me know if something that I buy every week is going to be out of stock
- ✓ For example, if I have put items in my cart at rei.com (where I shop frequently) and my phone sense I am near an REI store, if it gave me a 10% discount on those specific items in my online cart... that would be great.
- ✓ I am all about coupons - so sending me coupons when I'm close to a store or IN a store would be awesome. I would more likely buy some additional while in the store if I received a coupon for it.
- ✓ 1. Recommend things from my past shopping - I always forget what I need 2. Recommend private label options to save money 3. Identify time when there is less queue to check out 4. On phone check out
- ✓ I would rather have messages sent to me via email prior to my going to the store so it is less invasive
- ✓ As an example, if I'm in Best Buy, and they know I frequent the movies and video games section, they could send me a message to open the app to browse new titles available in store and online, and if I find one, it could indicate whether it is in store or not, and if I would like to place an order. Another example would be for me to walk in, and for me to hold up my phone's QR code to a scanner for it to send me a quick update on my app with coupons and recommended deals based on shopping habits
- ✓ You want to be in and out and save as much money as possible while doing it. That's why I like Cartwheel-- I load up all my coupons before I go shopping and it's ready to go
- ✓ Send me a comparative list with all the brands that carry that item, user rating and price including any discounts and aisle number. So I can make a decision instantly based on the information
- ✓ I am much more likely to automatically close a pop up message or window for something that I didn't initiate without even reading it.

What, if anything, are things you dislike about smartphone marketing? (Excerpts)

- ✓ It seems pushy and presumptuous
- ✓ 1. Privacy concern- Concern about misuse of personal data 2 concern around hacking of persona credit card data 3. Concern information could be used to increase prices or disallow frequently used coupons
- ✓ Some retailers or businesses text me at random times such as Verizon sending me messages on a random monthly deal or percentage off home a new phone ... Never applies to me and it is an annoying text to receive them not looking for that type of product or service.
- ✓ Seems invasive, having companies knowing where we are at all times seems like too much insight into behaviors
- ✓ Having to pull my phone out very often n not having good cell phone reception in some concrete wall stores
- ✓ Make sure there is a way to turn off the notifications if you no longer wish to receive them
- ✓ If something isn't relevant, I hate having more stuff thrown at me- it is like having telemarketers call you on the phone, it is disruptive. I feel like if I want something or want to know if there are deals I can find it out myself
- ✓ when I enter a store. It scares me that I could easily be a victim of identity/information theft.
- ✓ Most of the time it's not really precise. I don't care about sharing history and location/demographics so much as I care about inapplicable, inefficient advertising
- ✓ I'm torn - when it first starting knowing where I was going it or where I was at, it creeped me out. But I'm coming around to the convenience of getting coupons or helpful information. I don't like having to deal with pop-up ads. If it's JUST for what I'm shopping for, I'm fine with pop-ups
- ✓ I generally dislike push notifications. I'd rather have the information in an app that I can open as I choose. So, if I had an REI app installed, and was going to the store, I'd rather go to the app and find out what's on sale, as opposed to getting a pop-up or notification
- ✓ It is annoying and keeps me from getting to the information I'm looking for
- ✓ No pop ups in any form! Please, please do NOT send me anything that I have to press "dismiss" or "not thanks" or that interrupts what I'm currently doing on my device. There has to be a better way to show a deal or discount that doesn't immediately disrupt my activity and irritates me
- ✓ When I'm using my phone in store, it's with a very specific purpose and I'm trying to do it as quickly as possible so that I'm not stopping traffic or in anyone's way. I also don't want to extend the length of my shopping trip by using my phone constantly
- ✓ The example earlier regarding spending 5 minutes in the camera aisle and then getting a message asking if I needed help especially annoying. If I want help, I will solicit it. But if I'm in the middle of making a decision, I don't want to be interrupted or feel like I am being timed.
- ✓ Unwanted and excessive advertisements - this will eventually result in rejection of almost every message I receive.

Figure 5: Correlation Analysis

Correlation Analysis:			ALL USERS		HIGH USERS		LOW USERS	
Situation 1		Belief Type	Correlation	Relationship	Correlation	Relationship	Correlation	Relationship
Welcome!! Click A for current deals; click B for store map and aisle information and click C for product information; Would receiving this message make you; Very Happy - Irritated	Belief Statement 1	Utility	0.26	Weak	0.20	Weak	0.29	Weak
	Belief Statement 2	Utility	0.29	Weak	0.04	Weak	0.43	Moderate
	Belief Statement 3	Intrusive	-0.33	Weak	-0.37	Moderate	-0.28	Weak
	Belief Statement 4	Utility	0.07	Weak	-0.05	Weak	0.07	Weak
	Belief Statement 5	Intrusive	-0.50	Moderate	-0.36	Moderate	-0.56	Moderate
	Belief Statement 6	Personalize	0.47	Moderate	0.37	Moderate	0.54	Moderate
	Belief Statement 7	Intrusive	-0.45	Moderate	-0.33	Moderate	-0.49	Moderate
	Belief Statement 8	Personalize	-0.26	Weak	-0.19	Weak	-0.29	Weak
	Belief Statement 9	Utility	0.10	Weak	-0.06	Weak	0.25	Weak
	Belief Statement 10	Utility	0.17	Weak	-0.12	Weak	0.31	Moderate

			ALL USERS		HIGH USERS		LOW USERS	
Situation 2		Belief Type	Correlation	Relationship	Correlation	Relationship	Correlation	Relationship
If you are at a retail store, that you make purchases from often, and the moment you enter the store, you receive a text containing coupons related to your past purchase or the items you buy regularly from here. Would receiving this message make you;	Belief Statement 1	Utility	0.28	Weak	0.13	Weak	0.37	Moderate
	Belief Statement 2	Utility	0.38	Weak	0.12	Weak	0.50	Moderate
	Belief Statement 3	Intrusive	-0.33	Weak	-0.44	Moderate	-0.24	Weak
	Belief Statement 4	Utility	0.22	Weak	0.09	Weak	0.25	Weak
	Belief Statement 5	Intrusive	-0.52	Moderate	-0.46	Moderate	-0.52	Moderate
	Belief Statement 6	Personalize	0.48	Moderate	0.37	Moderate	0.55	Moderate
	Belief Statement 7	Intrusive	-0.45	Moderate	-0.38	Moderate	-0.45	Moderate
	Belief Statement 8	Personalize	-0.29	Weak	-0.23	Weak	-0.28	Weak
	Belief Statement 9	Utility	0.13	Weak	0.04	Weak	0.21	Weak
	Belief Statement 10	Utility	0.16	Weak	0.01	Weak	0.19	Weak

			ALL USERS		HIGH USERS		LOW USERS	
Situation 3		Belief Type	Correlation	Relationship	Correlation	Relationship	Correlation	Relationship
You enter a grocery store with a shopping list created in the store app on your smartphone. It has the items milk, granola bars and Cheerios. While you are in store, you receive a text that reads "Land O'Lakes milk 1 gallon at \$1:00-off" Would receiving this message make you;	Belief Statement 1	Utility	0.23	Weak	0.19	Weak	0.24	Weak
	Belief Statement 2	Utility	0.41	Moderate	0.16	Weak	0.43	Moderate
	Belief Statement 3	Intrusive	-0.31	Weak	-0.29	Weak	-0.29	Weak
	Belief Statement 4	Utility	0.31	Weak	0.00	Weak	0.37	Moderate
	Belief Statement 5	Intrusive	-0.45	Moderate	-0.13	Weak	-0.54	Moderate
	Belief Statement 6	Personalize	0.30	Weak	0.27	Weak	0.31	Moderate
	Belief Statement 7	Intrusive	-0.39	Moderate	-0.26	Weak	-0.37	Moderate
	Belief Statement 8	Personalize	-0.45	Moderate	-0.23	Weak	-0.52	Moderate
	Belief Statement 9	Utility	0.26	Weak	0.26	Weak	0.30	Moderate
	Belief Statement 10	Utility	0.32	Weak	0.01	Weak	0.38	Moderate

			ALL USERS		HIGH USERS		LOW USERS	
Situation 4		Belief Type	Correlation	Relationship	Correlation	Relationship	Correlation	Relationship
<p>You are at a retail store browsing cameras. After five minutes of looking at various brands in the store, you receive a message on your smartphone that reads "Do you need help to decide on a camera, click here";. Would receiving that message make you;</p>	Belief Statement 1	Utility	0.23	Weak	0.22	Weak	0.20	Weak
	Belief Statement 2	Utility	0.26	Weak	-0.03	Weak	0.38	Moderate
	Belief Statement 3	Intrusive	-0.32	Weak	-0.31	Moderate	-0.31	Moderate
	Belief Statement 4	Utility	-0.05	Weak	-0.25	Weak	-0.04	Weak
	Belief Statement 5	Intrusive	-0.38	Weak	-0.20	Weak	-0.45	Moderate
	Belief Statement 6	Personalize	0.38	Weak	0.28	Weak	0.46	Moderate
	Belief Statement 7	Intrusive	-0.46	Moderate	-0.44	Moderate	-0.37	Moderate
	Belief Statement 8	Personalize	-0.23	Weak	-0.11	Weak	-0.27	Weak
	Belief Statement 9	Utility	0.12	Weak	0.12	Weak	0.15	Weak
	Belief Statement 10	Utility	0.21	Weak	-0.07	Weak	0.32	Moderate

			ALL USERS		HIGH USERS		LOW USERS	
Situation 5		Belief Type	Correlation	Relationship	Correlation	Relationship	Correlation	Relationship
<p>Consider the situation; you are in a grocery store in the yogurt aisle. You browse through your smartphone to know more about the new Chobani Yogurt. At this point, you get a message that reads "Chobani Yogurt at 5% discount";. Would receiving this message make you</p>	Belief Statement 1	Utility	0.28	Weak	0.11	Weak	0.36	Moderate
	Belief Statement 2	Utility	0.35	Weak	0.00	Weak	0.43	Moderate
	Belief Statement 3	Intrusive	-0.22	Weak	-0.12	Weak	-0.24	Weak
	Belief Statement 4	Utility	0.17	Weak	-0.11	Weak	0.19	Weak
	Belief Statement 5	Intrusive	-0.46	Moderate	-0.33	Moderate	-0.45	Moderate
	Belief Statement 6	Personalize	0.26	Weak	0.20	Weak	0.26	Weak
	Belief Statement 7	Intrusive	-0.40	Moderate	-0.33	Moderate	-0.33	Moderate
	Belief Statement 8	Personalize	-0.32	Weak	-0.21	Weak	-0.34	Moderate
	Belief Statement 9	Utility	0.19	Weak	0.05	Weak	0.31	Moderate
	Belief Statement 10	Utility	0.28	Weak	-0.11	Weak	0.38	Moderate

r value	relationship
0-.30	Weak
0.30-0.50	Moderate
0.50-0.70	Strong
>0.70	Very Strong

Appendix D: Expert Interviews

Exhibit 1: Interview: Zach, Walgreens; Method: Phone call; Duration: 45 minutes

1. *What draws you to the mobile consumer/ medium?*

People have mixed opinions about mobile / location-based advertising. However reality is people say some something and do something entirely different!! If a customer is in-store and he/she receives a message with tips on what vitamins to pick up i.e. send valuable information that helps in decision-making, they like it. However they call it intrusive as no one wants to be tracked. Lots of opportunity but it is a fine line!

2. *How are mobiles changing consumer or shopping behavior?*

What mobile does is makes it easy to remember things like your to-do list. Using a mobile, one can remember that he/she needs to refill prescriptions, buy some products; it also helps in list making and not only that, community list making. So a family can go to a store with a common list on their phones and get their stuff from different aisles. This drives huge efficiency. Another new behavior caused due to the mobile phone is that now consumers are carrying internet to the store. This can have different impacts to different industries. For example; at a store like Best Buy, thanks to the internet, customers access reviews and competitive prices – the concept of showrooming. This makes it difficult for Best Buy to provide expertise on products or deliver on price.

3. *How is mobile changing retail shopping?*

With mobile around, it becomes imperative for retailers to deliver better experiences. Operational issues get captured by customers. Let's take a hypothetical example; if a 'back to school' signage is up with prenatal vitamins and the picture is clicked and posted online, it becomes a joke, goes viral and can adversely impact brand image. If a retail manager is screaming at his associate and someone can capture this and post online. Everything can be captured! Another impact of mobile is friends take pictures of stuff in stores and send it to their friends for feedback and/or post it online.

4. *Currently what location-based advertising techniques do you see being used?*

Location-based advertising simply means that if a phone is close, show an ad; this ad may not be specific to the customer. This is what they call proximity marketing. However with the use of beacons in store, one can get far greater detail about customers. Question is do you go deeper? If

you go deeper, customers will find value in the message but may also feel violated. Walgreens is piloting the concept in select stores in which when you walk into the geo-fence of a store, the Walgreens app recognizes that you have entered the store, wakes up, sends a welcome message and coupons that you could redeem at that store. Great concept! Except that say a customer is travelling by train and crosses 4 Walgreens stores on the way, it is important that the technology recognize that customer is travelling, close to the store or in-store? The result is a customer might get pinged several times causing spam and dissatisfaction. LBA is like academia- full of great ideas but when one tried to implement them, they could be practical issues. With that being said, in-store is a better approach. When you talk to a customer outside the store, there are two decisions to be made – (1) enter the store and (2) decide to buy. With in-store messaging, the decision drops to just selecting products and making the purchase. It also depends on the retailer itself. If a new store has opened inside a mall, proximity marketing might be a better bet for acquisitions. With Walgreens, we know some information about the customer so in-store yields better value! Proximity can also be used by a pharmacy in case like; for customers close to a gym, talk about vitamins and for customers close to hospital or school, talk about preventive care, etc.

5. *Customers often find location-based advertising intrusive. How do you tackle that?*

Content plays an important role in this. When we talk content, we want it to be relevant but to encourage customers to click; it should just nudge the customer. Don't show the customer all that you know about him/her. Do not say "Hey Josh, you are standing in aisle 2, the vitamins there are for sale"- that is creepy!! You should probably display vitamins related content to Josh and give one benefit – Vitamin B gives energy. If he clicks it, then you can talk about promotion. Again, at Walgreens, care is taken that notifications are sent in the app only if customers have agreed to share GPS location. Also notifications are designed as 'help messages' and not 'sales'. The retailer also advertises outside the app through a few partner apps.

6. *What as per you is the tipping point after which mobile advertising will be the new normal?*

Advertising is a means to an end. Today digital means mobile! All growth is in mobile, especially in social media. Today, brands and retailers advertise using apps. However as and when Apple and Android platforms open models in which one can advertise and one does not have to reply on apps for that, mobile advertising will take off exponentially!

Exhibit 2: Interview: Anne, KWOLIA, Location Based Marketing Association, Chicago Chapter;
Method: Phone call; Duration: 45 minutes

1. What draws you to the mobile consumer/ medium?

I had no plan to get into technology. My entire experience has been in retail - offline – on the Brand side, managing field teams, operations, etc. In retail analytics has always been important – how many people came into the store, what was the conversion rate, what was the \$ amount. People counters were used then to measure traffic. Overall sales was the measure to determine the success or failure of any campaign. There was no data to measure what happens when a customer enters the store? Does he turn left or right? Does the customer directly visit my most popular (revenue generating) aisle? However, when ecommerce began, suddenly we had all this data through web analytics. What pages does the customer visit? How much time did he/she spend on each page / home page? At what stage does the customer abandon the purchase, etc? All this is useful information but physical stores do not have access to this information. Mobile communicates directly with the consumer and can do so at the point of purchase. Passive capabilities of a mobile which use Wi-Fi, Bluetooth, and GPS make it easier to track this data.

2. Currently what location-based advertising techniques do you see being used?

The current state of mobile is that most people have about 100 apps on their phone but probably use only 10 of them. With respect to retail apps - around 2%-4% of people use these apps; 95% don't. But that does not mean that 95% of the population is not loyal to your brand. There are just available for contact through other avenues. We need to devise new methods/media platforms to reach these customers. Retailers need to build relationships with popular apps like Twitter, Shazam, etc with high number of users to reach their customers.

'Beacon technology' is one way retailers are trying to reach customers. Google has also recently launched its own beacons. Companies like Shopkeep, Map Quest, Aisle 411, Placed and Place IQ work in the space to connect to the customer in the 'micro moment'. There is a good case study on Hillshire Farm – InMarket the agency used beacon and geofence messaging to connect hyperlocally with consumers and sent push notifications to in-store shoppers on product discounts. The brand experienced a huge uptake in awareness metrics. However not everyone is investing in beacons. There is an on-going discussion about who owns the air waves for beacons – is it the retailer or is it

the consumer goods brand? And marketers need to tread carefully as over exposure can lead to spamming the consumer. Which is why if the message is personal, provides utility and not just coupons, a message offering help may work better. Retail brands like Walgreens, Target and banking apps are better tuned to do this.

Thus there are two components to location-based advertising (1) marketing component – in which a customer's zip code, age, likes, dislikes etc are used to send a marketing message and (2) aggregate customer information is used for marketing. Customers remain anonymous in this.

3. *Customers often find location-based advertising intrusive. How do you tackle that?*

Privacy is a big issue in the growth of location-based advertising. People use the word 'creepy' – I hate that! It is actually a chicken and an egg issue. Let me explain how. Location based messaging can be used not just to sell you stuff but to remind you to do things or help you with your purchase. For the customer to positively react to a location-based message, he/she has to be interested in it. The model probably will work better with loyal customers who give location access to the apps of their favorite stores. In these cases, the retailer/brand may have data of past purchases made by the customer and now with the location coordinates, they can customize the message to the customer. For new acquisitions, this model may not work as efficiently. ***“Trust”*** and ***“Utility”*** are the most important pieces to this marketing, else it can become noise!

4. *What as per you is the tipping point after which mobile advertising will be the new normal?*

The trajectory for location-based marketing seems to be positive and in the right direction. We see the venture world investing in companies like Place IQ and others; this itself is an indicator of the positive future for location-based marketing. It is currently based on a promise and not on real traction. I cannot determine the time window for when it will become the new normal but for mass consumer adoption, education has to be done about how these services/devices work, about anonymity of personal data in proximity marketing, etc.

Exhibit 3: Interview Chris, Target; Method: In person and email; Duration: 45 minutes

1. *What draws you to the mobile medium or the mobile consumer?*

Mobile is rapidly changing how we interact with each other and participate in our economy. I am fascinated by the rate of change in both the technology available to consumers, and in consumer

behavior as it responds to these technological advances. As new form factors continue to emerge – from wearable devices to mid-sized handheld devices in between today’s phones and tablets – we will continue to see behaviors shifting among consumers as they settle into new ways of shopping, buying, and interacting; and we will see marketers continue to test different ways of communicating across these interactions to find methods that work.

2. *How do you think mobile is impacting consumer behavior?*

Mobile’s immediacy generates consumer fulfillment, pricing, and satisfaction expectations. How quickly can I get it, how much will it cost, and am I going to be happy with it? Merchants no longer have the advantage of convenience through physicality – you’re here in the store, we have what you’re looking for, and you could save yourself the hassle of additional shopping-around by simply buying it today. Indeed, companies like Amazon are testing same-day delivery in select markets. Mobile breaks down all the traditional barriers.

3. *How is mobile changing retail shopping? Please comment from a marketer and consumer perspective.*

Marketers can no longer rely on large advertising budgets centered on TV and print to promote their goods or services. Their messages must be hyper-localized, contextually relevant, and targeted to mobile experiences and workflows. And it is no longer enough to build brand visibility with advertisements in the right places on mobile; companies need to embrace changing and heightening expectations from consumers about levels of service, flexibility, shipping speed, and customization. Shopping no longer happens from weekly circulars and store trips; it happens on mobile on the bus ride to work, or on the walk to the coffee machine in between meetings, or at the dinner table during a lull in the conversation; and the company that wins may have had the best deal, or instead, may have offered the fastest service. And so just as marketers are increasingly challenged to be present in these new mobile moments, it is increasingly easy for consumers to find anything they are looking for, often from multiple merchants, with competing offers or fulfillment methods or levels of service or convenience.

4. *Currently what mobile marketing techniques are being used by brands/retailers incorporating customer’s location information? Where do you see this moving ahead?*

Companies are testing a range of location-based technologies to deliver contextual messaging. Examples include:

- Buying keywords on Google so that a company's location shows up in Google Maps or Google Places results
- Buying location-based digital media, like location-targeted search or banner advertisements online, to build brand awareness or drive trips to local grocers
- Sponsoring Wi-Fi at a specific location
- Leveraging affiliate marketing companies like RetailMeNot to deliver location-based offers when consumers enter a geofence
- Installing sensors in stores for third-parties like Shopkick to deliver a loyalty experience to consumers along with curated and personalized messaging
- Using low-energy Bluetooth beacons to deliver hyper-localized messages to devices within a certain proximity

5. *A MediaPost survey said that two out of ten consumers click a mobile ad if it is relevant to their location, interest or purchase research. However at the same time, consumers find mobile, especially contextual advertising intrusive. Your comments and experience about it.*

In my experience, what customers express and how they behave are not always the same. If a marketer were to ask me whether tracking my location was intrusive, I would probably say yes. Later that same day, if I were using my phone to find the nearest gas station, and a station gives me targeted offer because I was nearby, I would use that offer and I would feel appreciative – and smart. I think the conversation is shifting from, “Is location-based messaging an intrusion?” to, “What value do you expect in return for giving a company access to your location information?”

6. *What are the current barriers for this marketing / medium to become the new normal?*

The biggest barrier is consumer education about what data is used, and how. Location-based data is fundamentally anonymized. Marketers are looking at the location and interest signals being sent by a unique device (say, the latitude and longitude of a device, and that the device just did a search for “coffee shops”), not at the human being on the other end of that device. Still, consumers have perceptions that companies are “tracking” or monitoring their location at all times, and using that information to sell them additional goods and services. Companies’ efforts to achieve transparency in this regard will help. And consumers will continue to benefit from hardware manufacturers like Apple giving users control over which companies have permission to access location or other data about them.

7. *What do u believe is the tipping point after which shopping on mobile will be the new normal? For example; for Netflix the availability of bandwidth was the tipping point after which it grew, are there similar factors for mobile expansion?*

I believe shopping on mobile is already the new normal. Though the actual transaction is still likely to occur in a store or at a desktop computer, much of the research – the shopping around - happens on mobile devices. And just as companies like Foursquare and Instagram initially only had mobile presence, then later added desktop Web interfaces, so too are newer merchants thinking about mobile as their most important storefront, and designing and building for mobile first. By the end of 2013, smartphones had already reached 51% penetration in the US. As carriers like T-Mobile and Sprint continue to offer no-contract and pay-as-you-go plans, the market will continue to put pressure on larger carriers like AT&T and Verizon to offer similarly competitive plans that bring down the cost of phones and phone plans, which will continue to drive up the consumption of smartphones. We will see desktop computers continue to fall in sales volume, and laptop sales will also be cannibalized as consumers are increasingly able to do more with fewer screens. These will be the trends that support the increasing shift in shopping and buying behaviors from desktop to mobile, and in many cases, from physical stores to mobile.

Exhibit 4: Interview: Jill, Best Buy; Method: In-person; Duration: 30 minutes

1. *What draws you to the mobile consumer/ medium?*

A mobile consumer conducts research on products, uses the device to check pricing, reads reviews, ratings etc. before finalizing a purchase. The mobile provides empowerment to the consumer however as a conversion platform, we find the web performs better.

2. *How is mobile impacting consumer behavior?*

89% consumers use a mobile while shopping for consumer electronics. Hence as a channel, it is very important for us. It impacts all the need states that consumers go through during any purchase cycle. Everything from finding a product that meets one's needs, to price comparisons to evaluating the quality based on ratings and reviews is all done by consumers using the mobile.

3. *How is mobile changing retail shopping practices?*

From a marketers perspective, mobile is used to leverage the differentiation that a retail store has from online retailers i.e. the physical store itself. Mobile is used to direct consumers to the store using the store locator. Geo-targeted offers are new mobile marketing tactics used to drive traffic to the stores. Another big development thanks to mobile is personalization. For example; if you go to retail store and receive a notification that welcomes you, sends you offers based on your wish list, you will like it. The mobile makes it easier for consumers to shop.

4. *A survey said that two out of ten consumers click a mobile advertisement if it is relevant to their location, interest or purchase research. But consumers find this intrusive. Please comment.*

Personalization of marketing offers is a key to successful campaigns. Email marketing has always worked for us. Consumers opt-in to receive offers via email. They also feel in control as they can check their offers as and when they would like to. They can control the settings and preferences in the email client. For every email we sent to consumers, we customize the content based on their past purchase behavior. Consumers tend to like that. For example; we have reward programs for our Elite customers – we send them exclusive offers using recommendation engines. Mobile can also do this but customers need to opt-in to receive such messages. If consumers understand why they need to share relevant information they will not find it creepy.

5. *Currently what location-based advertising techniques do you see being used?*

In terms of mobile advertising, I have seen retailers advertise on Facebook, gaming apps or couponing apps like ibotta to reach consumers, more than their own retail app. Beacons are being tested at various retailers for in-store advertising. Most mobile marketing is designed to ease the shopping process, so there are store maps to help you navigate, tutorials, ratings, etc. At Best Buy we have also used QR codes through which customers access product information.

Exhibit 5: Interview: Catherine, xAD, Method: In-person; Duration: 30 minutes

1. *Currently what location-based advertising techniques do you see being used?*

At xAD, we are primarily into proximity marketing. We use our proprietary Location Verification technology which helps engage consumers as they are near or around businesses. We also reach audiences defined by third parties based on aggregate behaviors or consumer segments defined by

marketers. There are companies that are working with beacons which are used for in-store advertising however we do not bet on it. For the beacon campaign to be successful, there are a lot of handshakes that need to go well. For one, CPG companies and/or retailers need to invest to install them. Customers need to download the retail app – this app wakes up on its own on detecting the beacon. We prefer to work with satellite + map technology which has higher accuracy. It can tell you if a customer is inside the store or in parking lot – very useful for drive-in QSR's. We are now looking forward to Altimeter, a new technology which can be very useful in locations like NY. This technology can not only tell you the customer lat/long but also what floor he/she is on. This precise form of location information is great to customize ads based on the retail store on the floor.

2. *How do you think mobile is changing retail shopping practices?*

It has always been difficult to calculate the ROI for marketing campaigns and determine clear attribution. However now with Location-based advertising (LBA) retailers can target customers in side a store with discounts and remote assistance alerts; they can drive traffic to the store or even target consumers at competitive stores called Geoconquesting. xAD used third party apps to gather data on store lifts. For example, we have used PLACED in which customers sign up to answer questions such as 'did u visit the xyz store after getting a mobile ad'. They also earn incentives for sharing the information.

3. *Customers often find location-based advertising intrusive. How do you tackle that?*

In mobile marketing, companies work on building customer groups based on frequency of store visits, purchase amount, etc. Personal data of consumers is not used for marketing. Consumers do find mobile marketing intrusive but few know what it really entails. Privacy plans an important role in location marketing being used more often.

Appendix E: Shop-alongs

Exhibit 1: Interview – Madeleine. Interview Date: June 28, 2015

Respondent demographics: Age: 26 years; Married, lives in Saint Paul, Minnesota
Location: Target store, Saint Paul, Midway. Duration: 45 minutes.

1. *What smartphone do you own?*

I own an I Phone 6

2. *How many hours do you use your smartphone in a day?*

Anywhere between 4-5 hours

3. *Wow! You just got a Cartwheel message! (on entering the store together)*

Yeah! That happens to me all the time. It is Target's way of reminding me to use the app. Although I never forget! I even make my husband use Cartwheel if he is shopping at Target.

4. *How often do you shop in-store? It could be in grocery stores, clothing store, mall, etc.*

I usually come to Target once or twice a week. For other stuff, I usually shop online at Banana Republic, GAP etc. and Amazon of course.

5. *When you shop in-store, do you make a shopping list before your visit?*

Yes! See I am carrying my paper list with me. In fact I curate my list based on the offers available in Cartwheel.

6. *What do you mean by that?*

So, I always check Cartwheel at home and select the offers that I want to use in my next trip. Then based on the offer either I change the brand or add items I have wanted to try earlier but didn't. Let's go to the cold storage aisle, I need to pick ice cream. Now look, I usually don't pick ice cream, but this is on discount so I am going to try it out. Again, I usually buy KIND granola bars but today the K-bars are on offer, so I will get these. Check this, it is buy 3, get 2!!

7. *So do you use other shopping apps as well?*

I sometimes use the Target store app to check item availability. But I use Cartwheel for coupons.

8. *Do you use Cartwheel or the Target app to check product information or ratings, etc in-store?*

Typically no! I like to research online before I get to the store. I research online for all my purchases irrespective of whether it is an expensive item like furniture or I am checking grocery brands.

(Madeleine and I are unable to find pita bread in any grocery aisle)

9. *Hey! What if the Cartwheel app told you what's where?*

Hmm, yeah I would probably use it. But I would rather just ask for assistance.

10. *OK, Say just like now, if you are unable to find some Target employee and you are comparing two brands and need some more information. Would you like it if there was a 'Target Help' button on the app and it could help you?*

Well, even in that case, I would rather that the app informs a human assistant to come help me. I do not wish to read pages of product information on the phone while in store.

11. *Do you know they are building a store map similar to Google maps, with directions and all?*

Yeah, that sounds nice. If it can read my list and show me the way, I'm game!

(Madeleine scanning a bar code above a product)

12. What is this that you are doing?

Oh! Cartwheel lets you scan the bar code also to find out if an item has a Cartwheel offer on it. Isn't that nice? Look, so this whole chicken does not have a deal on it, but it shows a deal on a similar item. And I don't care, I am open to trying out a different brand if it at a discount. Till I get what I want at a cheaper rate, I guess I'm fine!



13. Since you mentioned, you shop at Banana Republic online, say you did not complete the purchase, your items are in the cart. Now you go to MOA and you get a message from Banana saying 'welcome to MOA, We have a 40% sale', would you like that?

MOA has several brands that I shop with. Wouldn't that be too many messages!

14. Again, coming back to online shopping; when you shop online you know that retailers know what you buy, search etc. and they customize their offers to you. Are you ok being tracked?

Oh Yeah! I know they do that and I think I am ok with that. If that gives me offers on the kind of stuff I buy, why not? Even Cartwheel does that. If it knows that I buy Danone Yogurt very frequently, it will send me coupons for that. I actually really like that aspect of the app.

At the check-out counter now, Madeleine adds "See how much I saved using this app. This is what I like Cartwheel."

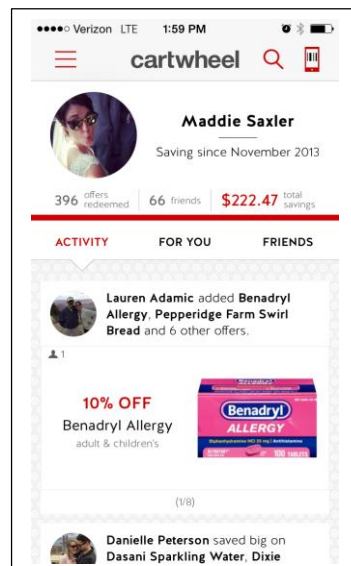
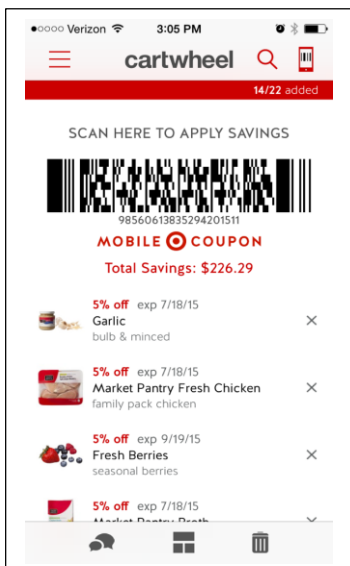
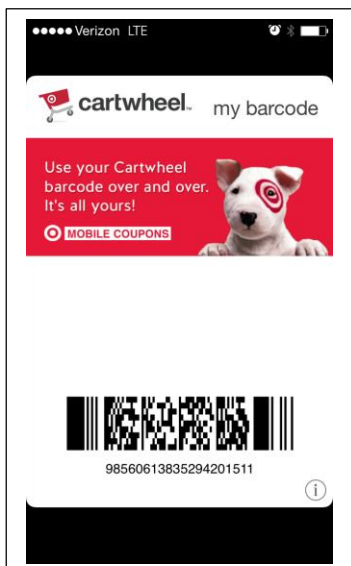


Exhibit 2: Interview – Ridhi. Interview Date: June 29, 2015

Respondent demographics: Age: 25 years; single, lives in Downtown Minneapolis, works in Shoreview
Location: Target store, New Brighton. Duration: 35 minutes.

1. What smartphone do you own?

I own an iPhone 6

2. How many hours do you use your smartphone in a day?

Probably 4-5 hours including navigation etc.

3. So, do you have a shopping list?

Yeah, I usually make my grocery list in the Notes app in Apple phone

4. What is it that you are looking for? (Ridhi checking the “trending now” section in Cartwheel app)

I am checking if there are coupons for any of the items I want to buy now.

5. Oh! So you check this in the store and not at home?

No! Usually when I enter the store. It is a little cumbersome I must say to get into each option. Wish it could be simpler! If you know someone in Target, please let them know! ☺

6. Anything else you would want the app to do?

Well, now that you ask. At times I forget to use the app altogether. Even when I have saved some coupons. Some way to remind me would be great!! Then, probably when I am selecting the coupon, it could tell me if that item is in store or not; or what store is it available at. Can the app suggest to me to buy milk because it has been fifteen days since I bought my last gallon. Wow! That'd be wonderful! Also, why do I need to select the coupons before check-out? Just scanning my Cartwheel number, can it not pick all the relevant coupons? That would save me some time.

7. Since you do not remember to use Cartwheel at all times, what if, say now, we are in the cosmetics aisle and you get a message saying, ‘hey there is a cartwheel discount on cosmetics’

Wouldn't that be too many messages popping up all the time!! Overall, I think I like to pull messages and not activate push notifications. I do not have that 'on' even for my text messages or email apps. It bothers me. I will see it when I have the time. Also, if I get a message about an offer while I am shopping, there is no time to do math right there, compare with what I was planning to buy, people walking, kids screaming around you! Just seems stressful.

8. Have you ever shopped groceries based on a recipe; you know reading the recipe ingredients on the phone buy items in the store?

Yes! I have done that.

9. So if you are say on Epicurious.com and an offer pops up related to an ingredient that is on the recipe, Would u like that?

I guess so. Although I usually shop pretty quickly. I know what I want. I visit this store often so I also know where I will find my items. If it helps me save time and money I would like that. How about a faster check-out using the app? Starbucks does that pretty well!

Exhibit 4: Interview – Linda. Interview Date: June 16, 2015

Respondent demographics: Age: 51 years, lives in Farmington, Minnesota

Location: Target store, Richfield, Minnesota. Duration: 60 minutes.

1. What smartphone do you own?

I own an I phone 5

2. How many hours do you use your smartphone in a day?

Around 3-4 hours, may be

3. What activities do you use the smartphone for?

Primarily I use my phone for email, navigation – especially if it a new place that I am travelling to, I surf the internet to look for coupons, Facebook, what else?

4. How many apps do you think you have on your phone? Which ones do you use the most?

I use Facebook, Jigsaw game, Cartwheel –as you can see, Delta app, Groupon, Living Social, Travel zoo, etc. But I do not have a ton of apps, probably around 20.

5. How often do you shop in-store? It could be in grocery stores, clothing store, mall, etc.

I usually come to Target once or twice a week. I shop at Herbergers. I also shop online a lot.

6. When you shop in-store, do you make a shopping list before your visit?

I have a mental list of what I want to buy every time I make a visit. It is more like a mind exercise.

7. You seem to know what items are where?

Kind of! Since I know what to buy, I do not wander around. And these are items I buy regularly so I know where they could be.

8. Do you look for coupons before your shopping visit?

A lot! I am a bargain shopper so I always look for whats on sale this week and save the coupons.

9. So where do you look for these coupons, other than Cartwheel?

I use Cartwheel coupons. But sometimes I have a problem with the barcode – it does not get scanned. I think it is my phone. Then I use retail me not. I even look for coupons in the Sunday inserts!

10. Do you use the retail me not app or any store apps like Best Buy, Kohl's, and Target etc?

I usually just google for say 'tennis shoes coupons'; most of the time it is retail me not that pops up in the search. But I do not use store apps. I believe they will send me junk if I download them.

11. Often products in store have these QR codes as well, on scanning you get coupons and more information about the product. Do you use these?

No, I do not use these QR codes because like I said, I do my research. Although I would like to have access to online product manuals, etc for electronic items. What I would like is say a box pops up on my phone which reads "Target Help" and then it is up to me to access the help or ignore it. And it should just disappear after that so I can continue to do my stuff, make calls, etc. Oh but I do use a scanner app though; I forget the name, the one which scans for product prices across stores for a particular SKU. Now that's useful!

12. So what if retailers would send you messages when you enter the store about deals, etc; would you like that?

I am not sure. I would not say I would totally dislike it or totally love it. Who knows I might probably ignore it as it is not commonplace today to get such messages. Again, I think I would prefer to access it on my own; which is why I like Cartwheel. When I get to the store, or even before that, I can access the coupons, see what works for me and redeem it. I would think I do not like push messages.

13. Ok, so what if, you were shopping online for say, shoes at Macys.com and you did not buy the shoes online but left them in the cart. A day later, you are close to the Macy's store and you get a message saying that the shoes you liked online are available here; would you like to try them?

Now, this message I would like although I agree it's a push notification; because it is related to what I saw online on their website.

14. And if you are travelling, which I know, you do a lot; Google accesses your ticket details from your Gmail and sends you online alerts. Are you comfortable with that?

I kind of like that. I know it is weird that they are reading through all my emails. But I still like that service. I think I like to get alerts/messages for a service if I have paid money for. So when Delta sends me messages about a flight being delayed, I think that's great!

15. Do you use any apps that use your phone location?

Yes, I use Google Maps, Yelp, and Radio maybe. I used to use Groupon as well but it takes a lot of battery.

Exhibit 4: Interview – Adam. Interview Date: June 26, 2015

Respondent demographics: Age: 33 years; Married, lives in Apple Valley, Minnesota

Location: Target, Downtown Minneapolis. Duration: 45 minutes.

The participant had to purchase a few items so the shop-along was extended to an in-depth interview at a coffee shop. Also, the participant does not use Cartwheel app so live reactions to location-based messages could not be noted.

1. What smartphone do you own?

I own a HTC Android phone

2. How many hours do you use your smartphone in a day?

Probably 3 hours, I think. I commute to work by bus and use it then

3. What activities do you use the smartphone for?

I mostly watch Netflix, HBO movies and videos during my travel – that's probably my maximum use. But I also use it for reading and listening to music and infrequently for navigation.

4. Do you use any social media apps?

No! I used to. I don't any more. No Check In's; No Facebook.

5. How many apps do you think you have on your phone? Which ones do you use the most?

About 40 apps I think. Mostly Kindle, Netflix, Spotify, U.S. Bank, Amazon, Echo and Weather app.

6. So what are we here to buy?

Just some basic stuff, some trail mix, pop, fruit juice, etc. I usually come to this Target for a quick visit since it is close to office.

7. How often do you shop in-store? It could be in grocery stores, clothing store, mall, etc.

My wife and I visit the local CUB grocery store once every week. Then I also visit Home Depot sometimes. But I tend to shop online a lot. Online, I shop almost every day.

8. Oh! so you are an online shopper! I would like to ask more about this in a few minutes.

So when you shop in-store, do you usually make a shopping list before your visit?

Yes, I do. I always know what I want to buy. I want my shopping trips to be short and quick. This is why I also research everything before I get to the store. I look at ratings and reviews and compare products.

9. Do you look for coupons before your shopping visit?

Well, not so much for grocery shopping. But I do visit Groupon and Living Social online for some deals.

10. So do you have these apps on your phone?

No! I used to have Groupon and Living Social but because these constantly connect to my location, they drain the phone battery a lot.

11. Do you use any retail store apps like Best Buy, Kohl's, and Target etc?

No I do not. I have heard about the Target coupon – cartwheel app; that sounds like something I would use.

12. Ok, coming back to online shopping; what are the items you buy online?

I buy anything from shampoo to clothes to computer parts online.

13. Do you a price threshold for online shopping?

No! I recently configured my own computer and bought all parts online. I believe these purchases were above \$500 as well.

14. What is/are your favorite online shopping website/s?

I really like Amazon. Then there is 1800 Pet Meds, Woot and Meh.

15. What is it that you like about shopping on these websites?

It's quick. After all these purchases they know what I buy regularly and what deals I would like.

16. So, they send you personalized deals? And you like that?

Yes! I totally like it. I want them to personalize the deals to me. It has to be relevant. I mean why would I want to see discount offers on things I do not purchase?

17. Are you aware of how they are able to personalize the deals for you?

Yes! I am aware that they track my movement on their website. I signed up for it when I started using the internet; didn't all of us? And I don't mind it. I want them to look at my past purchases and send offers that I would be excited about.

18. So, in a similar manner, if a physical retail store you frequent, say? (Cub, Home Depot – answered by respondent) Yeah, Say Cub, would send you offers on your smartphone based on your past purchases, would that be ok?

Yes! Why not? They could send me notifications on deals and stuff. In fact if they can send me deals for the items I wish to buy in the store; that would be perfect.

19. How do you think they would be able to do that?

Well, few of my friends were working on a start-up idea wherein you make a shopping list and the app looks for coupons for these items on the list and notifies you about it. I find that very useful.

20. You mean read your shopping list and send coupons for those items?

Yeah! I would love that.

21. Some people find it creepy that the store can read their shopping list?

Well I do not! In fact if I am in the store to buy bacon (it's on my list) and I get a notification that bacon – not the brand I usually buy – but some other brand is on discount, I would totally buy that! That message is useful to me.

22. So, say you were in CUB and surfing a recipes website and you get a message for produce by CUB?

I ask this since you mentioned you do not use retail store apps.

Hmm, I think I would like it simply because it knows I am at CUB so even if it is not on my list; at least it is somewhat relevant. It is better than getting ad for some unrelated business.

23. Do you see the mobile as a useful shopping assistant?

Well, yes and no! I like to get information on deals and stuff. But I would not use it to get product information simply because I like to research everything beforehand. So much so that I do not even seek help from assistants in the store.

24. So what do you find intrusive with respect to marketing messages on the mobile phone?

For me, I find it irritating when I am unable to control how I am being spoken to. For example; I was using the Groupon app and I would make changes to the notifications and it just wouldn't stick. So if I would switch it off, it would go on again. I have an idea of how I want to be marketed and I would like the retailer / company to respect that.